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West Europe Report

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29 May 1984

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GOVERNMENT DIFFICULTIES WITH CRUISE MISSILE DECISION

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 14 Apr 84 p 11

[Article: "In Any Case a 'Yes'--Followed by Question Marks: Dutch Difficulties With the NATO Armament Resolution"]

[Text] The Hague, in April. Are they now going to be stationed or not stationed? No matter who one asks in The Hague the answer is never unambiguously yes or no. The situation is so complicated that in this simple form the question turns out to be improperly posed. Because for the coalition government of the Christian Democratic Minister President Lubbers there simply is no either-or; like other governments before it this one must again find a compromise: a half-way convincing position which avoids a categorical no and if possible does not commit itself to a binding yes regarding the placement of 48 American cruise missiles on Dutch soil as provided by the NATO double resolution.

Just how this compromise will look in the end probably not even Minister President Lubbers and his defense minister de Ruiter know at the present hour. Only this much is probably certain: There will be no decision against the new atomic weapons; neither the majority in the cabinet nor the smaller coalition partner, the liberal conservative "People's Party for Freedom and Democracy" (VVD) would be ready for that. An unqualified yes is certainly equally unlikely; since also in the fraction which is called the "Christian Democratic Appeal" (CDA) there are opponents of missile stationing the bare majority of two government parties in the Parliament (79 out of 150 seats) does not suffice. Thus the finesse of compromise consists in arranging that the "yes" to armament shall be so clothed in reservations and concessions that doubting CDA deputies can be won over to agreement. Lubbers himself, born in 1939 and minister president for 17 months must carry out this balancing act. For this he will need everything which he has learned in 4 years as chairman of the Christian Democratic fraction. Because what is at stake is not only his international reputation but also his future as head of the Dutch Government.

In recent days there has been no lack of warnings from abroad. At the meeting of the nuclear planning group of NATO in the Turkish city of Cesne defense minister de Ruiter, according to his own report, heard the "very audible and distinct chorus" of his colleagues declaring that the Netherlands for

reasons of alliance solidarity would finally have to make that decision which they have been postponing ever since 1979. In the meantime whether this has impressed him remains questionable. When the American defense minister visited The Hague a few days before the NATO conference de Ruiter announced in the presence of Weinberger that his visitor had not come in order to prescribe to the government what it had to do. People were also clearly annoyed by a remark made by the influential Pentagon official Pearle traveling with Weinberger who had previously dropped the remark that a refusal on the part of the Netherlands to accept 48 cruise missiles in accordance with NATO plans would deliver "a serious and possibly fatal blow" to all chances for continuation of the Soviet-American negotiations in Geneva. The reaction of the Foreign Ministry to this was scarcely less angry than its reaction to the utterance of the Soviet ambassador when in addressing students in Nijmegen he promised that if they refused stationing of cruise missiles the Netherlands would be omitted from the targeting plans of Soviet atomic weapons.

Obviously the government wants to absolutely avoid the appearance of making its decision under external pressure. The government appears to find little utility in the argument that what is at stake is its common responsibility in the alliance and its future influence in NATO. This is understandable: For public opinion in the Netherlands is against the stationing of the American cruise missiles, thanks not least of all to the activities of the peace movement initiated by Mient Jan Faber's "Interchurch Peace Council" (IKV). The population rejects the new weapons according to a questionnaire circulated by the government by an almost two-thirds majority (63 percent). Also the Dutch Council of Churches to which all important churches belong with a total of more than 9 million members explicitly declared itself at the end of last February to be against stationing. Their declaration asserted in an open letter to the cabinet and to the Parliament that the use of atomic weapons was in violation of the divine command to conserve Creation; they also declared that refusal of the planned armament could contribute substantially to an end of the arms race.

Rejection of the cruise missiles is also widely supported in Parliament. But the "second chamber" is to be a participant in the decision--this is called for in the coalition agreement between the CDA and the VVD. It must be capable of making a resolution of principle before work can begin at the Woensdrecht Air Force support point (on the Belgian border 16 km north of Antwerp) on the construction of the installations and bunkered dugouts. That was the promise of the government when last year it named the "possible" stationing site. The government will enter into a treaty with the United States regarding the cruise missiles and this treaty must be ratified by Parliament--an assent which will be ticklish in view of the existing majority situation. The "Party of Labor" (PvdA) which represents with its 47 deputies the strongest fraction has been unconditionally opposed to the armament since 1981. This fraction also in 1981 entered a coalition led by the CDA politician van Agt only on the condition that its ministers would withdraw from the cabinet whenever there was a commencement of concrete preparations for stationing. In the future the Social Democrats want to participate in no government which accepts the NATO double resolution.

There are additional opponents of stationing in the small parties left of center. In addition it is understood that there are five deputies of the "Christian Democratic Appeal" (43 seats) who wish under all circumstances to vote against the new atomic weapons while three are listed under the rubric of "serious doubts" and five others are listed as still undecided. Whether these figures are correct is questionable. Because there is no discussion of this ticklish topic in the CDA fraction where in recent months there has been an obvious increase in the area of uncertainty. Even at a closed-door conference at the end of March an opportunity for such discussion was allowed to pass by unused. But the coalition partner VVD (36 seats) would probably vote for a commencement of stationing as would the six smaller parties right of center (and the party of neofascists, upon whose vote no one wants to depend). If the cruise missiles are to be set up according to schedule in 1986 as planned by NATO then certainly there must by June of this year be a decision regarding construction at Woensdrecht. Therefore the government has announced that it will make its decision at the latest by this date.

So the time is short and there is not unlimited room for compromises. Therefore it's still by no means certain that the young minister president will succeed in his difficult maneuvering. Defense Minister de Ruiter is considered to be a key figure in any possible solution. He is said to have serious reservations regarding all atomic weapons, to doubt the military logic of the new system and to consider it politically questionable to carry out the stationing of these weapons contrary to the manifest will of the majority of the population. The other members of the cabinet led by Foreign Minister van den Broeck are according to all information in favor of stationing, especially because of responsibility relative to NATO partners and the possible erosion of the Dutch position in the alliance if there were another postponement of the decision.

In general it is expected that a compromise which had the agreement of de Ruiter would also carry along with it other doubting CDA deputies. However, a retreat on the part of the defense minister would destroy any possibility (no matter how secretly conducted) of a majority decision in favor of stationing. But how will de Ruiter decide? He is still giving the matter earnest and deep thought, said a CDA deputy who sees him regularly; what the result of his thinking will be nobody knows: "He is a sphinx." Others are of the opinion that the "fox" Lubbers did not merely happen by chance to make the military-political layman, the former doctor of laws and rector of the Protestant "Free University" of Amsterdam his minister of defense. Only de Ruiter who when he was minister of justice in the van Agt cabinet put the controversial abortion law through Parliament could also build a bridge for a workable consensus this time, in the opinion of these people.

That the decision is so difficult for the Christian Democratic Party is a burden upon its still immature history. It was only in 1980 that the CDA came into existence after 13 years of difficult preparations. Combined in it are three parties having a pronounced political tradition: the Catholic People's Party, which since 1917 has without interruption participated in the most varied coalition governments; the Calvinist Antirevolutionary Party founded in 1830, which--contrary to what its name might suggest--has had a

marked attraction for many intellectuals because of its progressive program and strongly pacifist character. Thirdly and last there was the likewise Protestant and conservative Christian Historical Union. For the parliamentary election of 1977 all three parties had a list of candidates in common and thereafter constituted a common political fraction. The topic of atomic weapons had already been the subject of dispute; but clarifying discussion of this theme has been avoided in order not to interfere with a process of gradual cohesion which is not entirely effortless.

Nevertheless, the Dutch Reformed Church as early as 1962 condemned the use of nuclear weapons even before it also spoke out in 1981 against their possession. The Dutch peace movement which in its nature is less an antiestablishment movement than in the FRG and which is rooted especially in the parishes through the activities of the "Interchurch Peace Council" has always considered the Christian Democratic Party to be an important target group. After his experience with the campaigns against the neutron weapon the van Agt government in 1979 feared substantial resistance to the NATO double resolution. Thus it came about that Foreign Minister van der Klaauw announced his reservations during the decisive NATO conference in Brussels, asserting that his government did not wish to make any decision regarding stationing until 1981 and then only after giving consideration to the [arms reduction] negotiations.

So the matter continues to be postponed. Thus the same CDA/VVD coalition which at that time wanted to leave everything if possible in a state of suspense must now wrestle its way through to a new decision. Nothing has been gained. The internal political conditions for assent to armament have not improved but rather on the contrary. Nevertheless, one cannot exclude the possibility that postponement will once again be an important constituent of the compromise package which Minister President Lubbers must present in the coming weeks. Another conceivable element of this package would be a reduction in the six nuclear tasks presently the responsibility of the Dutch combat forces in NATO in exchange for a (conditional) "yes" to stationing. On the other hand there is less probability of agreement among the alliance partners upon the acceptance of a smaller number of cruise missiles. This is a topic which the CDA fraction chairman de Vries recently brought up with some vague formulations. No matter how the compromise does turn out the NATO partners should require no more of the Dutch Government than it is capable of giving under the existing circumstances, namely a "yes" followed by several question marks. Because for Lubbers it's not merely a question of the future role of his country in the alliance. There is far more than that at stake: The unity of the still youthful party and the continued existence of a coalition which has embarked on a large undertaking with its ideas of remedying the public finances and stimulating the economy. And politicians in other capitals must understand that for the Dutch minister president as for others "charity begins at home."

8008

CSO: 3620/256

EFFECT OF MITTERRAND'S STEEL ACTION ON LEFT WING EXAMINED

Paris LIBERATION in French 16 Apr 84 p 9

[Article by Serge July : 'Restructuring: Smashing Is Not Enough']

[Text] There is nothing subtle or put-on about the language of deeds and silences. In deciding not to extend a personal welcome to a delegation of steelworkers Friday evening, Mitterrand was tacitly admitting that -- at least for the time being -- he had nothing more to say about Lorraine's steel works.

This presidential abstention, considering its context, was tantamount to a sentence passed on this Friday's demonstration by the CGT steelworkers: the inevitable dragging tail of the movement, a cynical remake of the 1979 "wrath of Lorraine," or even the last gasp of an archaic working class.

Whatever the precise significance of the president's decision to give the steelworkers' delegation a miss, the fact remains: Mitterrand has let it be understood that, as far as he is concerned, that particular case is closed. Some may feel that the whole episode has been blown out of all proportion. That would be a mistake: it is evidence of Mitterrand's inability to come up with a new policy.

Industrial restructuring inevitably begins with the destruction of capital -- factory closings -- and pullouts of investments, and moves on from there to new and more profitable investments, to gains in productivity if not to the emergence of new enterprise.

A Case of Ideological Seasickness

It is this destructive phase that drags on and on, getting worse and worse, that is at the root of the malaise among the Leftist electorate.

The destruction affects equally whole sectors of industry and the mindsets forged in the opposition ranks, which made up a large share of the Left's political baggage in 1981. Be they industrial or ideological, these destructive forays strike at the very heart of the Leftist electorate; they are concomitant, and one

leads directly to the next. This fact, for that matter, is what endowed the government's steel program with a powerfully symbolic thrust.

That this destructive phase puts the Left Union in a painful position is the least of it. In a way, its inverse is what ought to be astonishing: that it has lasted for nearly 3 years, and that it is still there. The Communist Party must be weakened indeed to accept an undertaking so flagrantly at odds with all its most deeply rooted beliefs. And lastly, the current attitude in the French CP provides a superb electrocardiogram of the entire Left: that it feels constrained to stay in the government means that the majority of voters is certainly suffering from an acute attack of ideological seasickness, but that nobody, for the moment, really wants to jump overboard either out of despair or in search of another ship -- meaning a political alternative. You won't find it on the Left, and you won't find it on the Right, which means that a kind of political no-man's-land has spread around this mission of destruction.

What the presidential political discourse boils down to is this: when we do it, the destruction will not be so violent, we will always be there with more balm for the wounds that the opposition has caused.

This reminds me of the sign on a little bar that used to be just across the street from the Sante prison: "It's nicer here than there." Even if it's not Maxime's. And, to tell the truth, that bar was a long way from Maxime's.

If we were to leave it at that, we should of course be forgetting that the Leftist electorate is always seasick, that it is going through a political identity crisis that is gnawing at it, sapping its strength, and which, by so doing, robs the government's undertaking of a very real prop, of a driving force. And the main consequence of that is often to make the government's action look like sheerest whimsy.

Inventing 'Social Policy'

Restructuring means first of all destroying what is there, and then building something different in its place. It also means, one way or another, creating something. This industrial issue is clearly a political issue as well: it is not enough to create new enterprises in Lorraine: what we must create there is something, if I dare say as much, "Leftist," or at the very least to develop a social policy there that can rally, pull in, mobilize, summon forth both economic and social initiatives, and, as we used to hear so often, "weave new solidarities."

So long as Mitterrand keeps visibly putting all his energy into wrecking the economic dinosaurs and the ideological walls that used to mask them, just so long will he, his government, and a fortiori, the Socialist Party look incapable of creating anything.

To some degree they are, at best, coping adequately with the economic crisis, but somehow they do not project the image of men capable of creating "social policy." And that is the heart of the challenge Lorraine has thrown down to Mitterrand.

The steelworkers who marched in the Friday the 13th demonstration in Paris mourn the imminent passing of an industrial culture stricken unto death -- the steel works -- yet their "calm" presence here, such a contrast with that of 1979, was also making a plea: for a voice and a share in the industrial metamorphosis and hence in the political transformation.

To dismiss this demonstration as another carefully orchestrated CGT extravaganza would be to miss the whole burden of the "message," which runs: our collective presence is designed to remind the government of our existence as protagonists in the change." The change, that is, which is yet to come.

In light of that, the least one can say is that Mitterrand, like the members of the government, have been remarkably discreet on this issue. The only initiatives they have encouraged have been investments and entrepreneurs. Still missing is their equivalent at the labor, social, or associative level.

Clearly this problem is peculiar to a Leftist government. Mitterrand is constrained to reproduce, albeit in a smaller way, even according to different basic coordinates, his presidential majority. He cannot be satisfied with merely managing the restructuring processes: that amounts to nothing more than sweeping up the debris of economic anachronisms so as to unleash industrial initiative. Mitterrand, because he is Mitterrand, has to do more than that, even though he knows full well that the most benign of electoral laws cannot be anything more than what it is.

Changing the Culture

Given that, the action called for is spelled out with dazzling clarity in terms of social policy, and in terms of freeing labor's initiative. And of giving labor its own "policy" aura. That need is the more pressing in that, in the course of industrial restructuring, the creative phase needs to be cradled in a culture that buoys it up, that nourishes and stimulates it. And the mere evocation of high technologies or, even more vaporously, of modernity is not the stuff that can replace it. The tragedy in which the Longwy region is caught up is that of a collectivity held prisoner today by an obsolete industrial culture. It is not nearly so important today to "change lives," as the Left was so loudly proclaiming in 1981, as it is to "change the culture." That, when all is said and done, is the issue the steelworkers were delivering in their march across Paris: "What other culture are you going to offer us, Mister Mitterrand?" That is the question he elected

to leave unanswered when he declined to receive their delegation. On this issue, in effect, he had nothing to offer but generalities.

This particular undertaking is rendered still more delicate by the steady attrition of the powerhouses of organized labor. The Joint Program had accepted their continuing clout as axiomatic; their etiolation, in a country that never was heavily unionized, is forcing the policy-makers to ask themselves some pointed questions as to what Mitterrand, during his American trip, had called the "dislocation of the labor arm of our society." If it is indeed the task of the State to make private initiatives possible, to make them as free as possible, Mitterrand has every right to point out that this does not depend totally on him. It would be hard to find a better definition for the paradoxical position into which the Left majority has got itself. Nothing has prepared it to exercise any imagination outside of standard government practice. And right there you have the problem Mitterrand must face today.

6182

CS0: 3519/318

RELATIVES, FRIENDS, COUNCILLORS MAJOR INFLUENCE ON MITTERRAND

Paris LE FIGARO MAGAZINE in French 7 Apr 84 pp 144, 145, 148

[Article by Caroline Pigozzi: "These Unknown Persons Have Mitterrand's Ear and Heart"]

[Text] Little known to the general public, they are nevertheless Francois Mitterrand's true confidants. Here they are, ranked according to the "map of affections."

It was a few weeks ago. During a press conference abroad, a journalist asked Francois Mitterrand: "What do you think of the assassination of two Iranian dissidents in the very heart of Paris?" The president blinked his eyes more than usual. Obviously, no one had kept him informed about this serious affair. He then turned, with a questioning look, toward his two neighbors, Claude Cheysson and Roland Dumas. The two ministers hung their heads in shame. In their turn, they turned to Jacques Attali, the president's special councillor. The latter then eagerly pulled out of his pocket a dispatch which he handed to the chief of state.

By itself alone, this incident shows that in Mitterrand's republic, real power is held by the Elysee councillors, not by the ministers. It is true that every Wednesday, after the council meeting, a few ministers are kept for lunch by Francois Mitterrand. But it is rather a formal meeting. There are also the "politicians" like Lionel Jospin or Pierre Joxe, who are regularly invited to breakfasts where the Giscardian ceremony of scrambled eggs has not disappeared. But there, they talk much more about the Socialist Party than about France.

Thus, who are really those close to Mitterrand? Let us listen to Georges Beauchamp, the chief of state's oldest companion and one of the few to address him as "tu."

"The ministers are reverent, won over by the 'boss.' But do not confuse 'esteem' with 'intimacy.' It is certain that the president has great esteem for Robert Badinter or Laurent Fabius. But intimacy is a different matter."

Born the same year as Francois Mitterrand, Georges Beauchamp adds: "The president is really himself only with his old friends: Francois Dalle, Andre

Bettencourt, Patrice Pelat (who introduced his wife Danielle to him), Jacques Marot or Francois Mitterrand [as published]. He rarely speaks to them about politics. He listens to them, notes their suggestions. For years, I spoke in this way to Francois Mitterrand about Claude Marti, one of my colleagues. Although informed, the president never reacted. Until last year, when he found in LE MATIN an article by Marti explaining the reasons for the failure of the left in the municipal elections. Since then, Marti has become his communications adviser. The idea had undoubtedly very gradually made its way before being accepted. You see Mitterrand is like a camel."

After that come the "political" friends: those whom the president knew in the corridors of the Assembly: Maurice Faure, Claude de Kemoularia; those who helped him rebuild the Socialist Party: Roland Dumas, Charles Hernu, Andre Rousselet or Gaston Defferre; those over whom there hangs the shadow of the deceased confidant Georges Dayan (recruited with Mitterrand into the 25th colonial infantry regiment of Ford d'Ivry): Jacques Attali, Laurent Fabius (who met the president only in 1977), Jean-Claude Colliard and Jack Lang.

There are also those with whom Francois Mitterrand regularly takes the "pulse" of France: Jean Riboud, PDG [president, director general] of Schlumberger; Francois Dalle, PDG of Oreal; Francois de Grossouvre, former army doctor redeployed into agriculture, who keeps the president informed about the farming world.

He is also very much influenced by his family circle. Jean-Christophe, his younger son, traded a job as a journalist with the AFP [French News Agency] for the Africa policy file in the Elysee; Robert Mitterrand, the president's brother (a retired polytechnician), is a sort of roving ambassador. Close to the family, Daniele Burguburu, a former nonpracticing attorney and a long-time friend of the presidential couple (she lives on Bievre Street), was appointed secretary general of the High Council of the Magistrature after having been a magistrate for only a few months.

In spite of his friendships, Mitterrand likes solitude above all. He chooses his friends from just about everywhere so that they will meet one another as little as possible. An application of the old principle: divide in order to rule better.

(c) MER DES IDEES

1 Claude Marni
2 Jacques Attali
3 Charles Salzman
4 Jean Jacques
5 Servan Schreiber
6 Jack Lang

(b)

Torres Rocrediennes

(a) La Carte de Tendre d'après de François Mitterrand Mademoiselle de Scudéry Grégoire Joberski facit

(1) 38 Robert Badinter

(e)

39 Edouard Giscard

34 Jean-Emmanuel
35 Jean-Claude Colliard
36 Laurent Fabius
37 Alain Boubllil

6 Epsilon

Oubliance (f)

Grands Services (g)

André Rousset
François de Grossouvre
François Mitterrand

Affiduité (h)

15 Paulette
Decraene
16 Marie-Claire
Papegay

Stratagème (i)

Jean-Christophe
(19) Mitterrand

17 Claude
de Kemouliaria

(n)

LAC (q)
DE FIDELITE

26 Jacques Marot
27 Andre Betencourt
28 François Dalle
29 Patrice Pelat
30 Georges Beauchamp

Grand C. 7 (o)

31 Paule Dayan
32 Laurence Soudet
33 Hubert Védrine

Oubli (r)

23 Jean Popperen

Billet galant (p)

20 Danièle Burguburu
21 Michèle Cotta

Tiedeur (s)

22 Jean Védrine

Complaisance (j)

Nouvelle (k)

amitié (18)

18

KEY [to Map of Francois Mitterrand's Affections]:

- (a) Map of Francois Mitterrand's Affections
After Mlle de Scudery
Done by Gregoire Soberski
- (b) Rocardian Lands
- (c) Sea of Ideas
- (d) Political Sea
- (e) Dynamism River
- (f) Obedience
- (g) Big Favors
- (h) Attentiveness
- (i) Submission
- (j) Indulgence
- (k) New Friendship
- (l) Esteem River
- (m) River of the Future
- (n) Goodness
- (o) Big Heart
- (p) Love Note
- (q) Fidelity Lake
- (r) Oblivion
- (s) Halfheartedness

[Boxed Insert]

Who Are They?

1. Advertising executive. 2. Special councillor to the president.
3. Technical councillor to the Elysee in charge of communications and data processing. 4. President of the World Data Processing Center. 5. Minister delegate for culture. 6. His cattleman from Berne. 7. Minister of defense.
8. Senator from Lot. 9. Minister of the interior. 10. Minister of state.
11. Vice president of the Council of State. 12. President of Havas and of "Channel Plus." 13. Personal adviser. 14. President's older brother.
- 15 and 16. President's private secretaries. 17. Ambassador to The Hague.
18. PDG of Schlumberger Ltd. 19. President's younger son, in charge of the African affairs mission at the Elysee. 20. Secretary general of the High Council of the Magistrature. 21. President of the High Authority for Audio-visual Affairs. 2. Retired businessman. 23. Deputy from the Rhone, number 2 in the PS [Socialist Party]. 24. President's sister-in-law, film producer. 25. President's brother-in-law, actor. 26. AFP retiree. 27. PR [Radical Party] Senator from Seine-Maritime. 28. PDG of Oreal. 29. Retired businessman. 30. Advertising executive, member of the Economic and Social Council. 31. Daughter of Georges Dayan, technical councillor to the Elysee in charge of justice and relations with Parliament. 32. Widow of Pierre Soudet, close friend of Francois Mitterrand, official representative to the Elysee. 3. Son of Jean Vedrine, official representative to the Elysee for international questions. 34. Secretary general of the Elysee. 35. Principal private secretary to the president of the republic. 36. Minister of industry. 37. Technical councillor to the Elysee. 38. Keeper of the seals. 39. Minister of foreign trade.

9434

CSO: 3519/316

EDITORIAL ON PRESENT, FUTURE RELATIONS WITH SURINAME

Rotterdam NRC HANDLESBLAD in Dutch 25 Apr 84 p 7

[Article: "Suriname and the Netherlands"]

[Text] Since the December 1982 massacre in Paramaribo when 15 opponents of the military regime were murdered, relations between Suriname and the Netherlands remain almost totally paralyzed. The real significance of the Dutch freeze on the very generous development assistance, as reaction against the massacre of the 15 opponents, is gradually becoming noticeable in Suriname. Poverty and want are rampant, much needed imports have been cut back because of lack of money, rationing of essential goods is near at hand, and the country is on the brink of bankruptcy.

After December 1982 many people must have thought and hoped that a regime, as desperate and primitive as Bouterse's, would come under such pressure that it would go up in smoke. However, a year and a half after the massacre there are hardly any indications of such a trend although the recent strike in the bauxite industry, still Suriname's mainstay, appears to be a telltale sign.

This cannot be said at all of the actions of the Council for the Liberation of Suriname under ex-President Chin A. Sen. His impotence was again emphatically evident after a "conspiracy" involving 16 Surinamers was uncovered; it was smashed earlier this month in neighboring French Guyana.

On their return at Schiphol the "conspirators" used bold language but were unable to hide the council's impotence. Suriname's liberation by fellow countrymen is still a far way off: this is also demonstrated by Haakmat's most recent maneuvers; he is the nation's former superminister and Chin A Sen's opponent. He wants to arrive at a reconciliation with Commander Bouterse and his attitude is a good indication of the weakness of the resistance from abroad against the military ruler.

Independent from each other both the Netherlands and the Liberation Council hoped for foreign intervention to dispose of the commander. This is also idle hope. The Americans showed only a short-lived interest in the activities of the Surinamese regime. But Paramaribo's flirtation with Havana was broken off; Brazil finally showed some interest, the Cubans were sent packing and all was calm again on international levels; neither

ideologically nor strategically does Suriname appear to become a bridge-head for revolution in Latin America. It really does not have much in common with the rest of this continent. The exaggerated attention for Suriname shown by the Dutch after 1949 to compensate for the loss of Indonesia is the reason it became tied hand and feet to our country.

To a certain extent this culminated in the treaty concluded in 1975 by the Den Uyl government; it made that country independent. To what extent this independence obliged it to remain dependent on the Dutch became evident when in December 1982 the treaty and the source of funds were suspended in anticipation of better times ahead. But these better times will not arrive by just waiting patiently. Something will have to start moving again and, in spite of all the justified indignation about the December massacre, the beginning will have to be made here.

The Dutch government repeatedly pointed out that Suriname should take concrete steps to restore democracy and the rule of law with guarantees against a repetition of the incidents of 1982. Of late some statements were heard in the Second Chamber pointing in the same direction. This is important in itself, but it also means that new and concrete ideas about future relations with Suriname should be developed and that Dutch politics should break the rigidity of the present situation.

Seen in that light it makes little sense to demand from Bouterse that he allows himself to be crucified by way of an independent investigation. Such an investigation has already been performed by the OAS and it does not leave any doubt about the commander's culpability.

Under the present circumstances the Netherlands should carefully open up a channel to nurture a future relationship with Suriname. Under those conditions it appears advisable that the Netherlands accept the fact that a new Surinamese government will solve the affair of the December massacre under its own responsibility. Moreover, steps should be taken to prevent the simple resurrection of the old relationship of dependency, the inevitable result of too much development assistance.

For the time being the best thing for Suriname would be repairing its infrastructure which was ruined by the arrival of hundreds of thousands of its people in the Netherlands around the time of independence and it has still not been taken care of. If the Netherlands does nothing it is predictable that once again tens of thousands of Surinamese will leave their country, where they have hardly had time to develop roots, with a one-way ticket to the Netherlands to settle there for good. The indignation of 1982 was justified but the relationship with the independent nation of Suriname demands that the Netherlands does something about it.

10319

CSO: 3614/79

OPINION POLLS SHOW SOCIALISTS MAINTAINING STRENGTH

SIFO Poll Shows Little Change

Stockholm SVENSKA DAGBLADET in Swedish 29 Apr 84 p 2

[Article by Gunnar Andren]

[Text] When there is as little change from one month's SIFO (Swedish Institute for Public Opinion Polls) poll to the next as there is now, it is just as well to go directly to the less dramatic figures showing the long-term trend, in this case from the 1982 election to today's poll:

	Conservatives	Center	Liberals	SDP	VPK
1982 elections	23.6	15.5	5.9	45.6	5.6
October	25.9	13.0	6.1	46.7	4.4
February 1983	27.9	12.6	4.9	45.8	5.2
April	28.6	13.2	4.8	45.3	5.2
June	29.0	13.1	4.4	44.8	5.2
September	28.9	14.2	5.3	43.6	5.2
November	28.8	13.7	7.6	41.9	5.1
January 1984	29.3	12.7	8.5	41.9	5.0
February	28.4	13.1	8.3	42.9	4.6
March	27.9	13.2	8.2	43.1	4.9

April (Not averaged)	27	13.5	8.4	43.5	5.5
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After the previous poll, three clear tendencies were pointed out. Now there are twice that number:

1. The parties not represented in parliament--especially KDS (Christian Democratic Party) and the Environmental Party, both of which received significant numbers of votes in the 1982 elections (103,820 and 91,787 or 1.9 and 1.7 percent, respectively)--have not managed to unite and inspire the masses after the elections.

It is possible that the figure for "other parties," a total of 2.5 percent, is too low. It seems clear, however, that they remain far below the 4-percent threshold.

2. Considering that we are now between elections, the Social Democrats are in a strong position, especially among their own voters. The disappointment resulting from unfulfilled expectations that usually hits every victorious and ruling party has, for the most part, failed to materialize.

3. The Center Party, whose popularity among its own voters dropped drastically after the 1976 and 1979 elections, has not faced similar problems this time. During 1984 the Center Party ranks have been characterized by a stability that has been unmatched at "halftime" during the past decade.

4. The Liberal Party has followed the same basic trend as the Center Party. Of course, the rise from under 5 percent to 8 percent may be linked to the change in party leadership on 1 October 1983. After that time, hesitant Liberals returned to their party.

In the future, it might not be quite so easy for Bengt Westerberg to strengthen the position of his party. All the Liberal Party supporters may now have returned to the fold. Perhaps they should remember that another change in party leadership under similar circumstances, the 1970 change in the Conservative Party leadership, failed to result in a long-term upswing for the Conservatives. It took over 2 years for Gosta Bohman to convince another 1 percent of the voters, in addition to those who voted for the Conservatives in the 1979 elections, that the Conservatives were the "best party."

5. The decline of the Conservative Party during 1984 probably results from the Liberal Party and Center Party advances mentioned above.

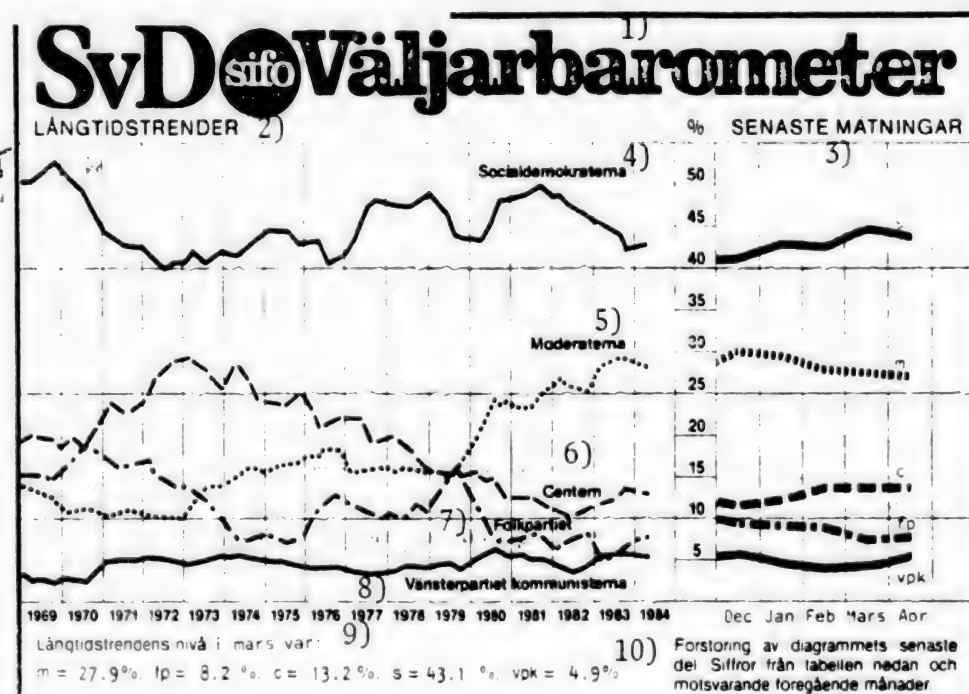
It could even be said that the party's 1983 figures were too high. There probably are extremely few who changed parties after voting for the Conservative Party in 1982. For this reason, it is too early to conclude that any genuine Conservative Party voters are having doubts about the policies of that party. It is in this light that the 27 percent in the SIFO poll must be compared to the election results of 23.6 percent.

6. During the rise of the Social Democrats, VPK (Left Party Communists) has scored below its election results. What we now see is that the party seems to be returning to the 5.6 percent it received in the 1982 elections.

It is remarkable how close the SIFO figures for April for each party are to the long-term trend. The figures are within 1 percent.

This could be because voters now believe they know what policies and what profile the various parties stand for, compared to what they said before the 1982 elections.

It is the time to take a position. Soon both voters and parties--although, of course, the latter will deny it--will be looking forward to 15 September 1985.



Key:

1. SVENSKA DAGBLADET/SIFO Voter barometer
2. Long-term trends
3. Latest polls
4. Social Democrats (S)
5. Conservatives (M)
6. Center Party (C)
7. Liberal Party (FP)
8. Left Party Communists (VPK)
9. Long-term trend for March was:
10. Enlargement of last segment in diagram. The figures are from the table below and the corresponding tables from previous months.

Which party do you think is best today?

Qualified voters, 18 to 74 years old, with party affiliation:

	April 1984	March 1984	Feb 1984	April 1983	April 1982	April 1981
Conservatives	27	27.5	28	29.5	25.5	24.5
Liberal Party	8	7.5	9	4	7	7
Center Party	13.5	13.5	13.5	13.5	10.5	12
Social Democrats	43.5	44.5	42.5	45	48.5	48.5
VPK	5.5	4.5	4	5	4	6
Other parties	2.5	2.5	3	3	4.5	2
Qualified voters with party affiliation	100	100	100	100	100	100
Percent of qualified voters who abstained or did not give party affiliation	4.5	5	6	4	6	6
(Number of citizens interviewed)	(969)	(993)	(970)	(989)	(1025)	(2019)

The interviews last month were conducted at the homes of the respondents on 4 to 17 April.

The responses were given in the form of sealed ballots. In the September 1982 elections the Conservatives received 23.6 percent of the vote, the Center Party 15.5 percent, the Liberal Party 5.9 percent, the Social Democrats 45.6 percent, and the Left Party Communists 5.6 percent. The results of the opinion poll should be compared with each other, rather than with the election results. The oldest qualified voters are not interviewed. Not everyone who indicates a party affiliation votes and the percentages of those who vote vary from party to party. The figures are rounded to the nearest 0.5 percent.

Changes in the long-term trend (see above under the graph) less than 2 percent for the Social Democrats and the Conservatives and less than 1.5 percent for the other parties may be ignored. It should also be remembered that individual changes in a series do not necessarily indicate a new trend.

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Conservative Daily on SIFO Results

Stockholm SVENSKA DAGBLADET in Swedish 29 Apr 84 p 2

[Editorial: "The Drowning Man"]

[Text] At the end of half the present term, there is a balance between the two political blocs. The situation seems to have stabilized. In a way, today's opinion polls confirm the relative calm on the political scene.

More than anything else, this reflects the fact that the structural problems in our country's economy because of the economic upswing have not resulted in a crisis. Sweden is like a drowning man who has just come up for the second time. If we ignore what has happened before and what will happen in the near future, everything looks fine.

In itself, the political calm is nothing to complain about. The present political maneuvering may not hinder future efforts to deal with the crisis that will occur when the economy takes a turn for the worse.

Herein lies the paradox that constantly haunts our politics. Crisis becomes a permanent condition. If the crisis is not acute at the moment, it may be anticipated in the near future. This is paradoxical because a crisis is defined as a situation that is so difficult to manage that the political leadership has lost control over events.

It seems that politicians, both here and in other countries, enter new crisis situations with their eyes wide open. They consciously allow their ability to act and control the situation to be lost.

In this sense, we live in a constant political crisis.

The somewhat cooler political climate that now prevails could be used by the opposition to shape and put forward a long-range, strong alternative to the government's policies. Despite the seemingly bright picture of the economy, the need for this alternative is obvious. The supplementary budget proposal the government presented to parliament this week provides for public expenditures (excluding interest payments on the national debt) of 10 billion kronor for the next fiscal year. This means that the serious disease from which the Swedish economy is suffering will worsen.

We now see that the economic upswing has been utilized to a lesser extent than previously believed to correct the imbalance in the Swedish economy. The need for a political alternative is more obvious now than ever before.

Public expenditures are the key to the alternative the three nonsocialist parties, more or less unanimously, must present to the voters before the next elections. But this is not enough. More and more attention has been devoted recently to wages. The reason for this is the discrepancy between the results of contract negotiations and the government's economic policies. In the future, however, problems related to the wage structure will become both more obvious and more extensive.

Because no efforts are being made to reduce public expenditures during the present economic upswing, the government will be unable to act when the next economic decline fuels unemployment. Youth unemployment, industrial crises, and all similar situations that previously have been countered with state expenditures must then be dealt with by reducing wages.

The government now is spending literally every krona that will be needed to solve future problems. A particularly firm policy will be needed by the government in power after 1985--a policy that will totally reject the allocation of state funds to crisis-ridden industries and to increase unemployment benefits.

What we will need is, so to speak, a government income policy. But this policy must consist of a statement indicating that the problems must be solved by adjusting incomes and the government can do absolutely nothing to accomplish this adjustment. It is the employees' own organizations, with their much-celebrated solidarity, that must make sure that wages do not rise so high that unemployment and plant closings result.

Otherwise, Sweden will go down for the third time.

Liberal Party Down in IMU Poll

Stockholm DAGENS NYHETER in Swedish 6 May 84 p 6

[Article by Dick Ljungberg]

[Text] The Liberal Party dropped a full 2.5 percent to 5.5 percent in the DAGENS NYHETER/IMU (Institute for Market Research) opinion poll for April. As a result, there is a complete balance between the political blocs--both are supported by 46.5 percent of the voters.

The poll was taken between 19 March and 18 April. This period was characterized primarily by a number of labor contracts that went awry--from the government's standpoint. At the very end of this period the government issued its "emergency package" with price and rent freezes and other measures.

A total of 895 persons were interviewed. The Liberal Party's decline is the only statistically reliable change since the previous poll in February.

Broken Trend

The results of the April survey are as follows: Conservative Party 26.0 percent (+0.5), Liberal Party 5.5 percent (-2.5), Center Party 15.0 percent (+1.0), Social Democrats 42.0 percent (+0.6), and VPK 4.5 percent, which is unchanged since the previous poll. The smaller parties and the number of undecided remained practically unchanged.

After five consecutive IMU polls showed declines for the Social Democrats, the previous survey showed a 3.0-percent rise. But the modest 0.5-percent increase in the April survey seems to confirm that the governing party has managed to break the downward trend. The Social Democrats received 45.6 percent in the 1982 elections, but they were in the opposition at the time. They have had a difficult time governing, but the economic figures, so far, have gone in the right direction.

For a long time, the Conservative Party has scored between 25 and 27 percent in the IMU surveys. The 2-percent drop in the previous survey was not confirmed by the April poll's 0.5-percent increase to 26.0 percent. The Conservatives received 23.6 percent in the 1982 elections.

The Center Party has had the steadiest curve, 13 to 14 percent, for a long time. The party has made a conscious effort to create its own profile among the nonsocialist parties and it will be interesting to see if the 1-percent rise to 15 percent is the beginning of an upward trend. The Center Party received 15.5 percent in the elections.

1982 Level

After the initial enthusiasm last fall following Bengt Westerberg's election as Liberal Party leader (10 percent in the IMU poll) the party has suffered three consecutive setbacks. None was as serious, however, as the latest 2.5-percent drop to 5.5 percent. Now the party has dropped to the 1982 level when the Liberal Party received 5.9 percent in its catastrophic election defeat.

Of the 5.5 percent who now believe that the Liberal Party is the best party, 70 percent also voted for the Liberals in the 1982 elections. The remaining 30 percent are evenly divided among Conservatives, Center Party supporters, and Liberals.

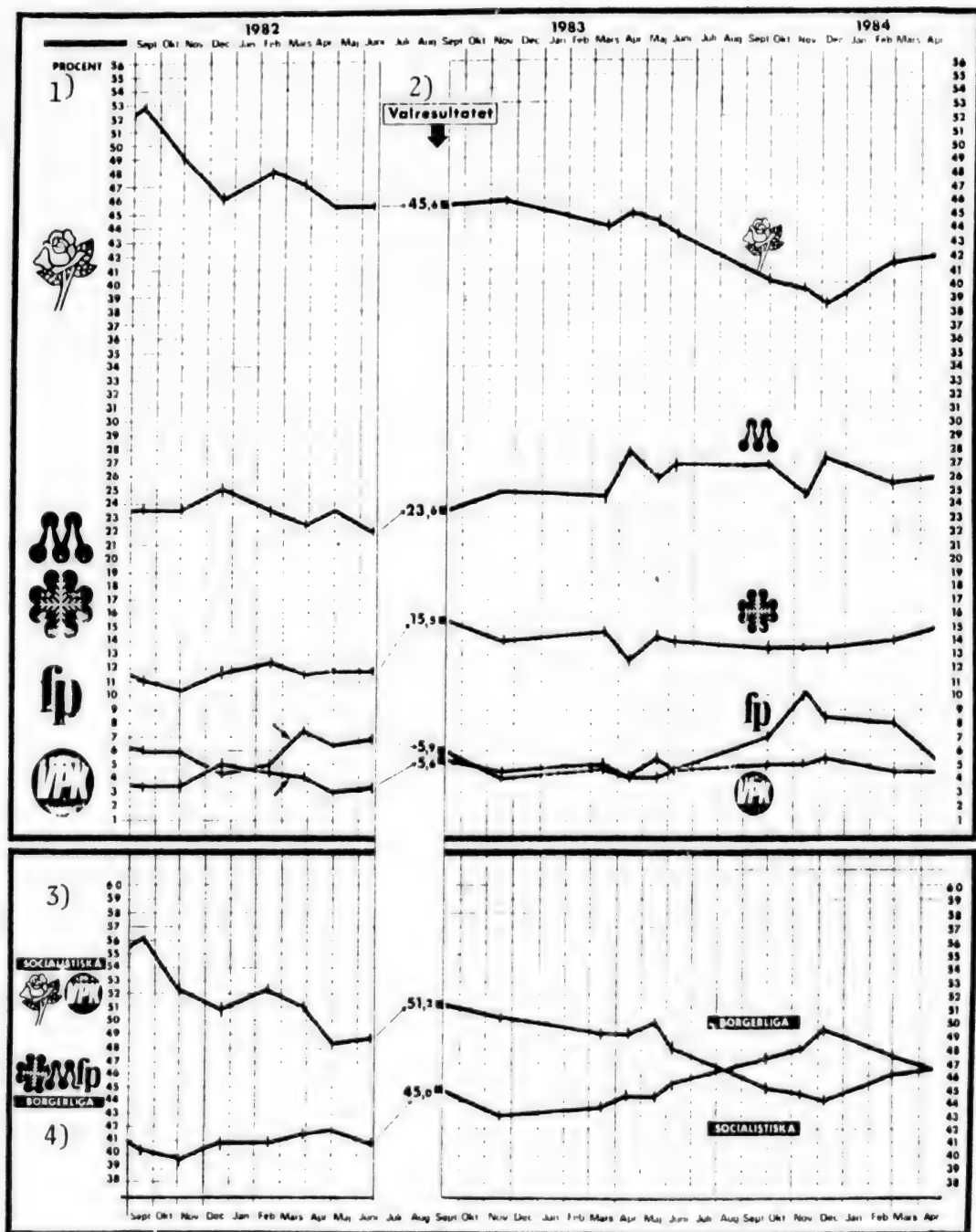
Long-Term Trend

Since late last summer the nonsocialists together have outnumbered the Social Democrats and VPK. As a result of the major losses by the Liberal Party, however, the two blocs are now even--both received 46.5 percent.

IMU also reported the long-term trends for the five parties in parliament, based on a sliding average for the past seven surveys. These long-term trends show changes that almost entirely eliminate the influence of the temporary ups and downs of the parties.

The long-term trends since the first opinion poll after the 1982 elections are as follows:

	M	FP	C	S	VPK
Nov 1982	23.6	5.8	12.0	46.7	4.0
Feb 1983	23.7	5.6	12.6	46.0	4.2
Apr	24.1	5.5	12.7	45.9	4.1
May	24.5	5.4	13.0	45.4	4.2
Jun	25.1	4.9	13.4	44.9	4.3
Oct	25.6	5.0	13.6	44.1	4.6
Nov	26.0	5.4	13.8	43.2	4.8
Dec	26.4	6.1	13.7	42.1	4.9
Feb 1984	26.5	6.6	13.6	41.8	4.9
Apr	26.2	6.8	14.0	41.4	4.9



Key:

1. Percent
2. Election results
3. Socialist parties
4. Nonsocialist parties

The latest advances by the Social Democrats could lead to a stabilization at about 42 percent. According to the long-term trend, the upswing by the Conservatives has been reversed in 1984, while the Center Party is now showing a slight rise. Since the Liberal Party changed leaders, it has shown a clear rising trend, but the most recent poll shows that the effects of this change in leadership have now been weakened.

Voter opinion survey.

Survey period	27. 14 Nov- 7 Dec 1983	28. 30 Jan- 29 Feb 1984	29. 19 Mar- 18 Apr 1984
Number of qualified voters interviewed with party affiliation (= base for %)	874	892	862
% indicating as best party:			
Conservative Party	27.5	25.5	26.0
Liberal Party	8.5	8.0	5.5
Center Party	13.5	14.0	15.0
Christian Democratic Party	2.0	2.0	2.0
Social Democratic Party	38.5	41.5	42.0
Left Party Communists	5.5	4.5	4.5
Environmental Party	3.0	3.0	3.5
Other parties	1.5	1.5	1.5
	100	100	100
% of qualified voters who could not or would not indicate the "best party"	3.5	3.5	3.5

Since 1979 IMU has conducted 29 party preference polls. The most recent poll shows a statistically reliable decline in support for the Liberal Party, compared to the previous poll. Changes for the other parties are small and are within the margin of error. The figures for the Social Democrats indicate that the steady decline during 1983 now seems to be reversed.

The surveys are conducted with a random sampling of Swedish citizens 18 to 74 years old, representative of the entire nation. The interviews are conducted in the homes of the respondents. The following question was asked: "Which party do you think is best?" An election situation is simulated. The party preference is expressed with the help of "ballots" and "ballot envelopes."

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Liberal Leader Under Pressure

Stockholm DAGENS NYHETER in Swedish 6 May 84 p 6

[Commentary by Sven Svensson]

[Text] The honeymoon is definitely over for Liberal Party leader Bengt Westerberg. After some initial enthusiasm, the party has definitely lost ground in the polls.

Opinion polls are not an exact science and, for this reason, we must not put too much stock in the figures. Today's IMU figure of 5.5 percent for the Liberal Party could be a coincidence.

But the overall trend is clear. The Liberal Party has lost ground in the third consecutive poll, with a statistically reliable decline. This trend cannot be ignored. Concern among Liberal Party leaders will increase dramatically.

This drop in support for the Liberal Party will stress even more the problems faced by the party because its leader is not a member of parliament. Despite everything, politics is centered around parliament. The Liberal Party is being run by "remote control" because Bengt Westerberg is touring the provinces, which is fine in itself.

But it will certainly be extremely difficult to continue in this manner until the elections in September 1985. Regardless of how capable Jan-Erik Wikstrom, Bjorn Molin, and Ingemar Eliasson may be, the party leader is at the center of party politics. Nevertheless, the presence or absence of Bengt Westerberg in parliament is hardly the main issue in the Liberal Party.

Swedish politics is centered around two issues: the economy and the labor contracts.

The Social Democratic government, by skill and by luck, has managed to produce fine economic figures, at least in the short run, but it has been unable to deal with the contract negotiations. These negotiations have resulted in just as much chaos as there was under the nonsocialist governments. Court injunctions are waiting just around the corner.

No Profile

The Liberal Party hardly has a profile of its own on these two major issues, although the Conservatives are more outspoken in their antiunion rhetoric.

The Liberals and the Conservatives are practically identical on economic issues. It is neoliberalism through and through, although the Conservatives' message contains more enticing figures and more slogans.

It is difficult to believe that voters who have turned to the Conservative Party would suddenly come back to the Liberal Party for exactly the same policies. The Liberals have attempted to take a slightly different approach to family policy, but their position is ambiguous.

The Center Party chose the opposite direction. Thorbjorn Falldin is trying in various ways to distance himself from Ulf Adelsohn and give the party a profile of its own. Falldin is not prepared simply to accept Adelsohn as prime minister.

The Center Party differs with the Conservatives, for example, on taxes, regional policies, and security issues.

These positions have also had a positive effect on the polls. The Center Party has remained stable at 13 to 14 percent for a long time, but now the curve is slowly turning upward--and in opinion polls it is the slow increases that are important. Sudden jumps seldom occur in public opinion.

Government Question

As usual, the government question is a main topic among voters.

Bengt Westerberg is working more intently than any other party leader to bring about a nonsocialist three-party coalition. In fact, this sometimes seems to be the primary goal of the Liberal Party leader.

Thus, Bengt Westerberg has openly stated that he has nothing against Ulf Adelsohn as prime minister in a nonsocialist three-party coalition. In addition, he has stated that the three nonsocialist parties should be represented in the coalition in accordance with their strength.

This verges on political suicide for a small party such as the Liberal Party.

Any party under about 10 percent risks being crushed in a coalition government. In order to survive, such a party must make certain demands before entering a government. Otherwise, the party's profile will be erased to the point of oblivion.

Ever since Bertil Ohlin's time the Liberal Party, a natural opposition party, has tried to establish itself as a conciliatory party.

But Gunnar Helen received no thanks from the voters for his role as a reconciler of differences, Ola Ullsten had to pack up and go, and Bengt Westerberg now is risking the same fate as he attempts to orchestrate a new three-party nonsocialist coalition government.

Westerberg 'Surprised'

Stockholm DAGENS NYHETER in Swedish 6 May 84 p 1

[Article: "I Am Surprised"]

[Text] Party leader Bengt Westerberg told DAGENS NYHETER he was surprised that the Liberal Party had lost ground in the polls. That conflicts with the positive attitudes he has encountered while traveling throughout the country. It is difficult to draw any conclusions based on individual opinion polls, according to Bengt Westerberg.

These developments within the Liberal Party cannot be ignored and there will be growing concern within the party leadership, according to DAGENS NYHETER's political commentator Sven Svensson. The fact that party leader Bengt Westerberg is not a member of parliament has meant that the party has been run by "remote control." Westerberg's stand on the government issue also has been seen as catastrophic. His demand that the three nonsocialist parties should be represented in a three-party coalition according to their strength verges on political suicide for a small party, according to Svensson.

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CSO: 3650/193

FRANCO-GERMAN JOINT ARMS PRODUCING FIRMS PROFILED

Bonn WEHRTECHNIK in German Mar 84 pp 53-57

[Unsigned article: "Franco-German Cooperation: Industrial Partners In France"]

[Text] In the February issue of WEHRTECHNIK arms directors of France and Germany addressed the question of arms cooperation between the two countries that could be expanded to additional partners in some projects. At the same time WT introduced the most outstanding Franco-German projects. As a continuation the following pages contain brief portraits of some French firms that cooperate with German partners. At the forefront are not so much the large firms, but rather those producing equipment or having subsidiaries or representatives in Germany.

AEROSPATIALE

The "tactical missile" sector of Aerospatiale has probable the closest cooperation with a German partner of any French firm. The fact that this cooperation is achieving an ever broader basis and has functioned so smoothly is to a large degree due to the efforts of the longtime representative in Germany, Engineer Ernst Guenther Friedrichs. By training a plane constructor, he has worked since the war's end for Aerospatiale or its predecessors. Aerospatiale products in the Bundeswehr include the Exocet naval missile, and the joint Milan, Hot, and Roland programs. The C-22 target drone and the helicopter borne AS-15 TT naval missile were not adopted in Germany. Future programs--once again with MBB as partner--include the Exocet successor ANS and the Hawk replacement MFS/SA-90.

BRONZAVIA

Bronzavia--900 personnel and 1982 sales of Fr 264 million--specializes in hydraulics, electrohydraulics, and climate control devices. The firm produces parts of the fuel systems of the Transall and the Alpha jet, built partly in Germany under a licensing agreement with Nord-Micro and AOA Gauting. Bronzavia is working on hydraulic adjustment devices for turrets and weapons of future armored vehicles.

CREUSOT-LOIRE

Creusot-Loire, having 1982 sales of Fr 17.6 billion and 42,000 employees, is one of the major French steel companies. It makes guns for warships, and the AMX 13 for the army, for example. The firm placed great hopes on the Franco-German battle tank. There is close cooperation with German firms in the area of new armor and tank cannon. The firm is convinced that conventional armor, not composite armor, will better withstand future threats (especially that of the nuclear shells).

CROUZET

Crouzet-5600 personnel, Fr 1.4 billion in sales--has subsidiaries in ten countries, including Germany. The firm hopes to play a part in the development of a Franco-German antitank helicopter, offering the Sextan Doppler inertia strapdown navigation device with laser gyro. Flight tests with version 2 of the device began last year. Also available are the Nadir H system with the SFENA microlaser gyro, which weighs half as much, and Crouzet's Nadir Mk 2 navigational and mission computer.

CSEE

CSEE has about 5500 workers. It is primarily known in the naval sector for its Dagaie decoy missile; it is now joined by the Magaie and Sagaie. CSEE also makes optronic and optical devices, surveillance devices, and the Sylosat satellite navigational device. The firm also participates in Creusot-Loire's 100-mm compact artillery piece and the Sadral antiaircraft rocket. It has good relations with German shipyards that often install CSEE equipment into exported ships.

ECE

ECE (l'Equipment et la Construction Electrique) has for more than 12 years had a subsidiary, ECE GmbH in Munich, which has a staff of 11 for development, marketing, and soon also for production. Products: reversible switches, limit switches, LCD devices, relays, switch protectors, DC switching devices and fuses, all mostly for aircraft.

Europavia

Europavia Deutschland GmbH in Cologne--it has a branch office in Munich--is a subsidiary of the Office General de l'Air (OGA), a semiofficial air export organ of French industry. Head of the firm with a staff of 12 in Germany is Andre Renaud. Europavia represents a sizeable number of French firms in this country, including Aerospatiale (especially the helicopter sector), SFIM (gyro devices, autopilots), TRT with its Omera subsidiary (radar altimeters, night sighting devices--such as the MiRA night sight device developed for the Milan together with Siemens), Matra for "classical" aircraft ammunition (all kinds of bombs), CIT Alcatel for ship sonars. The Lacroix firm is also included, being a leading French producer of pyrotechnics, training and other special ammunition, as well as of infrared and counterradar devices for planes and ships.

Gabriel

Gabriel--staff of 250, Fr 30 million in sales--is one of the few firms making complete electrical systems for tanks according to American and German specifications. Close cooperation with Germany has existed for more than 20 years--for example, most of the Leopards built for export have Gabriel equipment.

Hispano-Suiza

In 1982 Hispano-Suiza had sales of Fr 1.83 billion and a staff of 3400. The SNECMA subsidiary built about 40 percent of the components of the Rolls Royce Tyne 21 and 22 turboprops for the Atlantic and Transall. Production will continue until 1989 for the new Transall series (118 power units) and the new Atlantic 2 series (64 power units). In addition, the firm makes gear boxes, to include one for the Tornado, and is considering development of such devices for future helicopters (between the main and tail rotor) and combat planes. Under a license from Martin Baker 3500 ejection seats have been produced.

Hutchinson

Hutchinson Industries, having 1982 sales of Fr 464 million of industrial rubber and plastic products also makes tires for military vehicles, track shoes for tank tracks, and light armor plate. The firm has a subsidiary, MAPA, in Germany. The Bundeswehr has received delivery of track pads for the M48, the German police obtained emergency tires.

Inspectronic

Inspectronic is represented by aiming systems for the Roland training devices, such as the TV camera and monitors placed in the vehicle, the shelter, and the operations center.

LMT

LMT--Fr 500 million in sales, 1575 personnel--has built more than 300 Ratac battlefield and artillery radar sets, including deliveries of about 90 for the Bundeswehr between 1971 and 1975. The Bundeswehr recently ordered further sets. LMT also developed the Rasit battlefield radar of which more than 100 are being built for the Bundeswehr by SEL under a licensing agreement.

Luchaire

Luchaire has made a name for itself in the field of munitions, especially for light antitank weapons. Together with MBB the heavy antitank weapon Jupiter will be developed from the Armbrust; Luchaire is responsible for the warhead whose diameter can be increased to 120 to 125 mm from the current 115 mm. The firm is also working on warheads for a third generation of antitank weapons.

Matra

The Matra group had 1982 sales of Fr 5.6 billion, some Fr 4 billion of this was in the military sector. All kinds of armaments for aircraft are developed and built: Bombs--about 8 years ago braking bombs were delivered to Germany--and especially air to air guided missiles, such as the Magic, Super 530, etc. The air to air guided missile Mica with a semiactive radar and infrared search device is in development--it is designed to cover the gap between the ASRAAM and the AMRAAM. Matra achieved a major breakthrough with the Durandal runway bomb which has been selected for the United States Air Force as well. The Satcp anti-aircraft weapon is in development for all French services, its army version is called Mistral, the navy one Sadral. The Mistral is to be offered to the Bundeswehr as well.

The Mistral, to be introduced into the French armed forces about 1986/87 would have to compete in Germany with the Stinger Post that is to go into a pilot licensing production in Germany for some European countries. Matra, however, sees several advantages for its Mistral: With its six kilometers it has a two kilometer range advantage over the Stinger, it has greater air speed (800 m/sec versus 600 m/s) and with three kilograms a doubly heavy warhead thanks to the proximity fuse--and all this for about \$40,000 per missile (FMS price for the Stinger is said to be \$80,000--although this is currently declining).

Along with MBB Matra is also active in the field of standoff weapons to be introduced in the late 80s. MBB contributed to this cooperation effort its MW 1 offspring CWS (Container Weapon System), Matra its similar Apache; the joint program is now called CWS/Apache. The range is said to be about 15 km. But there is cooperation also with other German firms, such as with Dornier in communication satellites, with Krauss-Maffei in the Wildcat, whose turret is to be offered to the Canadians equipped with a Mistral, and with Diehl--this firm develops for Matra fuses for the next generation of bombs that are to be laser guided.

OFEMA

The Office Francais d'Exportation de Materiel Aeronautique (OFEMA) is a private firm "under government supervision." It is responsible for furthering export of aeronautical material. (Similar functions are performed by OGA in other countries, except for Germany where both are represented). The firm has an office in Bonn headed by a former French deputy military attache, Colonel (ret.) Francois Kuebler. The office represents several French armament firms in Germany, for example Alcan with its comprehensive program of bomb mounts and bomb carriers for aircraft, but also the civilian Dassault, and the developmental Aerospatials ATR 42 commuter aircraft. The Dassault aircraft Falcon 50 and 900 are offered to the federal defense ministry as replacements for the Jetstar and the Hansajet.

RKS

RKS, the French subsidiary of the Swedish SKF ball bearing concern, employs about 300 people, and its production includes special bearings for armaments

about 300 people, and its production includes special bearings for armaments. For example, bearings for both Roland radars come from PKS. With a view to the future helicopter gunship RKS is working on development of a 30 mm weapon turret.

SACAP

SACAP delivers photographic equipment for aerial reconnaissance, such as printers for the French armed forces, but also for Belgium and Switzerland. The program includes the fastest developer on the market with a development speed of 2000 meters per hour.

SAGEM

SAGEM is very well represented in the area of inertial navigation. For example, an inertial platform as well as an optronic overhead sight and--together with ESD--an onboard computer are being developed for the future PAH 2/HAP/HAC. Together with SAT and Eltro sights for the Roland are produced. The firm employs some 7500 persons with annual sales of more than Fr 2 billion.

SFENA

This French firm (3000 employees, 1982 sales of Fr 1.15 billion) has a long history of cooperating with Germany, beginning with the manufacture of certain onboard instruments under license by the Bodenseewerk Geraetetechnik. The SFENA program includes automatic steering devices, autopilots, navigational aids, and gyroscopes for missiles and tanks. SFENA instruments can be found in the Alphajet, Transall, Tornado, and Kormoran 1, made in part through cooperation with German firms. For several years SFENA interests in Germany have been represented by a liaison office in Frankfurt, headed for the last three years by Hagen Holzhauser. Currently the firm is looking for new partners in Germany in the equipment and systems industries with an eye on the new programs such as the PAH 2 and Fighter 90, for which navigation devices, optical indicator systems, data banks, etc. are offered.

SNECMA

The large French power plant producer, responsible for the development and manufacture of jet engines for French fighter planes (various Atar models, M 53 for Mirage 2000) and increasingly also for civilian models (the CFM 56 engine was developed together with the American firm General Electric) is a partner in the Franco-German Larzac 04 engine program for the Alpha jet, along with French partners Turbomeca and the German MTU and KHD. A new, increased performance Larzac 04 C20 was developed by these firms for the new export model Alpha jet NG which has also been offered to the Luftwaffe. The new power plant modules can be installed in the course of maintenance on existing engines.

SNECMA is represented in Germany by a liaison office in Bonn, headed by Jean-Claude Le Moine, a former French air attache in Bonn and a graduate of the Bundeswehr's leadership academy. He is currently concentrating primarily on

the Fighter 90, especially on its engine for which SNECMA is doing considerable preparatory work by developing the state-financed M88.

Superflexit

The Superflexit firm is well represented with flexible tubing, flexible tanks and similar special items for armored vehicles, helicopters, and fighter planes. In the course of cooperating with Germany the firm has, beginning with the second round, delivered flexible fuel reservoirs for the Leopard 2--two containers per tank with a total volume of one cubic meter. The firm naturally hopes that it will obtain the contract for the fifth round as well.

SOFMA

Like OGA or OFEMA, SOFMA (Societe Francaise de Materiels d'Armement) is a state-supported firm for promoting exports, especially in the field of land weapons, expanding to naval arms. SOFMA, which also represents GIAT, will within the next few months open an office in Bonn.

Souriau

The firm having sales of more than Fr 1 billion and 3370 personnel specializes on pin connectors that can be found, among others, in the Transall, Alpha jet, Tornado, Milan, HOT, Roland, and the Leopard battle tank. The German subsidiary, Souriau Elektrik GmbH, works in the same sector.

Thomson Group

Defense-related activities of the Thomson-Group in Germany are very broad and quite old--even if that cannot be organizationally perceived at the first moment. This may also be due to the fact that the reorganization of the Thomson Group in France is not yet completed. In the center of activities stands the Koblenz firm Thomson Elektronik GmbH with some 200 personnel, about 40 of whom are at a branch office in Keil. The main business is currently maintenance work on the target acquisition radar developed by Thomson-CSF in France for the Roland. In addition, maintenance is performed on the sensing device for the Kormoran 1, also developed by Thomson (further development of the Kormoran 2 sensing head is also in the hands of Thomson-CSF) and on the Thomson-CSF made fire direction system, including the radar sets, of the 20 model 148 speed boats. Thomson-Elektronik is also involved with German shipyards in equipping export ships (fire direction, radar, ECM, etc.). In addition, there are certain civilian efforts of Thomson Elektronik, such as Eurosignal. This firm, as well as some other Thomson-CSF firms in Germany, such as CSF-Bauelemente, are subordinated to a Holding Thomson-CSF GmbH in Munich which is also the contact point for all activities of the Thomson Group in Germany, both defense-related and commercial. In Munich it is working close to its main cooperation partners MBB, AEG-Telefunken, and Siemens, the sales department of the Thomson Elektronik GmbH is also located there. A contact office is to be opened soon in Bonn to improve service to government agencies, since Thomson-CSF is hoping for even greater cooperation in the future, especially in the MFS PAH 2 and

Fighter 90. For the latter programs color displays and onboard radar are of primary importance. The successful cooperation in the jointly developed color displays for the Airbus A-310, earning extremely high praise from Henri Gousse, business manager of the avionics sector of Thomson-CSF, is to be expanded to military aircraft. There have been already conversations with AEG-Telefunken regarding collaboration in the area of onboard radar.

Another cooperation program is Phase III of the MLRS, here Thomson-CSF is working together in a group with Martin Marietta, EMI, and Diehl. There are also contacts with Diehl regarding use of Thomson-CSF proximity fuses in various munitions. Brandt-Armement, a French firm active in the arms sector with about Fr 900 million in sales, 70 percent of this for exports, is also a member of the Thomson Group. This firm delivered already some years ago 120 mm mortars to the Bundeswehr, and is currently producing the runway disabling BAP 100 ammunition for the French air force. Mortars and ammunition are also offered to the Bundeswehr.

TRT

TRT is very well represented in German-French programs, for example by the proximity fuse for the Roland, the radio altimeter for the German Tornado and Alpha jet, and identical equipment for the Kormoran. TRT is also the chief contractor for the Milan night vision device MIRA that was developed together with Siemens and Marconi. TRT also won an exploratory contract for the ANS surfact naval missile; work is underway on the laser guidance and optronics for the third generation of antitank missiles, as well as on the optronic and radio navigation device for the PAH 2/HAP/HAC. TRT participates with an advanced version of the French army's HPD F2 antitank mine in the definition of the future German antitank mine--in competition with the Swedish firm FFV.

Turbomeca

Turbomeca, a producer of power units, has completely specialized on the smaller turbojets, superchargers, and turbopropes, especailly for helicopters. In 1982 its sales totalled Fr 1.9 billion, personnel amounted to 4330. Along with SNECMA the Larzac 04 power unit was developed for the Alpha jet which then went into joint production with MTU and KHD. All firms participated in the development of the increased performance C-0 version. Together with MTU the firm wants to develop the MTM 385 engine for the PAH 2 and other helicopters. A turboprop engine could be a further development of this project.

9240

CSO: 3620/245

NUCLEAR ARTILLERY COMMANDER ON 'PLUTO' DETERRENCE CAPABILITY

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 16 Apr 84 p 3

[Article by Karl Feldmeyer: "Plutos Are Now on the Gun Carriages of the 4th Artillery Regiment: A Dwarf Which Is Now Being Reckoned With"]

[Text] Laon, 15 April. "Couldn't the 'force de frappe' protect the FRG?" Colonel de Charge considers the question only briefly. No, he is convinced that that would be impossible, but observes that this is only his personal opinion. Officially de Charge is no more in a position to answer this question than to provide information generally as to whether or not France in the future will respond to the German desire that she participate in plans for the forward line defense of the FRG. Also with respect to this latter question he can only express his personal view. That view corresponds to the political-strategic thinking which has been obligatory in Paris since de Gaulle: No, says the colonel, that would be inconsistent with the entire security-political conceptual framework of the French Army. The force de frappe relates only to France; everything hinges upon that fact.

Colonel de Charge knows what he is talking about. For 2 years he has been commander of the 4th Artillery Regiment of the French Army. Ludwig XV established it in 1720. Since 1976 it has been equipped with the "Pluto" which is France's nuclear missile artillery. The regiment is based in the "Quartier Mangin" on the borders of Laon, built on the site of a former United States Air Force base.

The destructive power which the regiment has had at its disposal since 1976 amounts to many times that fired by its guns in all the campaigns and wars in which it has participated in the more than 200 years since its founding: six times "Hiroshima" is stored in the six tank-like launching ramps which bear the names of long ago fought battles: "Somme 1918" and "Luetzen 1813," names reminiscent of death and victory. But the regiment is proudest of all of a double reference in its regimental escutcheon. The latter recalls the Lieutenant Bonaparte who entered the regiment in 1791 and later left it as a captain in order to become emperor of the French.

But that is history. The present age is represented by the "Plutos" on the gun carriages. Each battery has two of them; the regiment has a total of six. Assuming--and this question the colonel does not answer--that for each

ramp an additional missile is available for reloading, as one may suppose on the basis of the "military balance" figures provided by the famous reference work of the International Institute for Strategic Studies in London, then the colonel actually controls 12 times the destructive force which devastated Hiroshima. In addition to his 4th Artillery Regiment France possesses more than four additional "Pluto" regiments. They are stationed in the Alsatian town of Oberhoffen, in Belfort, in Maily and in Suippes, all of them in other words close to the German border. That is a total of 30 launching ramps; with at least 30 "Hiroshimas" or to express it more correctly in the data language of the experts: 30 rockets each with an explosive force of 15 to 20 kilotons of the traditional explosive TNT.

But who really knows what that means. Hiroshima as a measure of effectiveness is more meaningful although it may be unsatisfactory to experts. Because the experts are aware that the "Pluto" is not being held in reserve in order to destroy a city in a case of extreme urgency but rather is intended to hit military targets. Targets on the territory of the assumed attacker could not be reached by the "Pluto" with its maximum range of 120 km.

Although 30 or counting a possibly existent reloading stock of 60 "Pluto" warheads with the disruptive power of Hiroshima are available as a tactical nuclear force nevertheless France is only a nuclear dwarf. When the discussion comes round to atomic weapons, to the arms race and to arms control then one is usually concerned with many times the destructive force collected here; one is dealing with megatons and not with kilotons. And so, are the "Plutos" worth talking about?

Colonel de Charge rightly takes a different view. "His" weapons definitely deserve to be taken into account. Moreover, the fact that the colonel receives German journalists in his barrack is by no means routine; on the contrary: it is something quite new. This is the first time that the regiment has had such guests. But this event is unusual not only for the host but also for the guests. An invitation to a unit which is part of the nuclear combat force would be no everyday affair even if it were between members of the military organization of NATO--from which France withdrew under de Gaulle.

Below in the regiment's assembly area everything is ready to show the guests what they are to see. The regimental commander wants especially to show them the skills of his unit, its readiness for engagement and its competence. And more than anything else the guests are to be aware that safety has priority over everything else and that it is guaranteed under all conditions: the unintentional cannot occur; the use of the weapon is only possible through the president of the republic, through no one else and not even through the regimental commander; the code which alone can unleash the weapons system and permit its use is known only to the president. Other safety measures include the fact that the missile is stored and transported in three separate parts. It is assembled on the firing ramp only for use. It takes 40 minutes for the propulsive component, for the warhead and for the "heart," namely the fissionable material, to be assembled. It is precisely the task of the regiment to guarantee this under any conditions of weather. This completes the task of the regiment. Everything else is politics.

In the case of atomic weapons politics begin immediately after the weapons mixers have done their sleight of hand and it is the quite simple questions which lead directly into the politics. For example, such a question as What targets the "Plutos" would have in a crisis? "Target" is a word that can have several meanings. This is made apparent in the lecture delivered on the tasks and capabilities of the unit. We are told that it is the task of the "Plutos" to give a warning to that opponent "who goes too far" ("qui va trop loin"); a last warning of an immediately imminent use of the strategic nuclear power of France--in other words in particular a warning of the imminent use of its submarine-launched atomic missiles, thus bringing the opponent to a halt. But they also have another purpose as explained by an instruction film: in a situation threatening the existence of France they are intended to stop an enemy attack which can no longer be withstood by other means.

So what is the geographic target and what is the objective target? And what concretely does "too far" mean? From the French point of view has an attacker gone "too far" when he crosses the Weser-Lech Line or only when he has crossed the Rhine? Is it the French eastern boundary or is the line between "far" and "too far" located somewhere else? Such questions give rise to intensive discussions which issue in the conclusion that this "too far" does not relate to a geographic boundary line but rather to the boundary of an existential threat to France--and just where that lies is something decided by the president, according to the speaker. There seems to be something a little uncomfortable about the question as to the geographic fixation, as to the "target" and as to the "too far" and something uncomfortable perceived in the attempt to link up use of the weapons with a corresponding specific area and to concretize both of these questions in a scenario.

Nevertheless, this answer is unambiguous: A doctrine of use which corresponds to NATO's "flexible response" is something which France does not possess. Such a doctrine would also be of no use to the country: for such a doctrine France lacks the weapons just as it also lacks the other prerequisites of a continental major power. France is an atomic power of another type both in terms of its armament and also in terms of its design. France's logic is not deterrence by the threat of being able to annihilate the enemy. Rather it is the calculation that the price of conquering France would be too high for a potential enemy.

8008

CSO: 3620/258

STRUCTURE, TASKS, OPERATIONAL COMMAND OF NAVAL FORCES

Koblenz MARINE RUNDSCHAU in German Feb 84 pp 50-54

[Article by Vice Admiral Guenter Fromm, commander of FRG Naval Forces: "The Fleet Command"]

[Text] The Fleet Command is one of the three upper command authorities of the Navy which are immediately subordinate to the Inspector of the Navy.¹ At the head of the Fleet Command is the fleet commander (BdFlotte). The Fleet Command is generally equated with the staff of the fleet commander.

Command Structure

The following are subordinate to the fleet commander: the commander of the North Sea Naval Combat Forces, the fleet staff, the training group for sea tactics, the fleet. The fleet commander has authority in every respect; he possesses "full command."² He organizes the fleet, trains it and engages it. He alone is responsible to the Inspector of the Navy for the completion of assigned tasks.

The fleet is the organizational term applied to all sea combat forces and sea air combat forces, sea-borne support forces and land-based guidance and communications installations of the Navy. In round numbers this comes to 200 ships and boats, 180 aircraft and 20 transmission and reception stations. This comes to 21,500 soldiers and 3,000 civilian employees. Of the soldiers 10 percent are officers, 45 percent are noncommissioned officers and 45 percent are enlisted personnel. Of these 12,000 are sea-borne and 6,500 belong to the naval flight division.

In peacetime the components of the fleet are classified according to type, in an organization which identifies all units of the same type for purposes of uniform training, equipping and personnel staffing under one command. The commanders of the ship flotillas and boat flotillas, of the naval flight division, of the amphibian group and of the naval guidance service command are in every respect subordinate to the fleet commander (Figure 1).

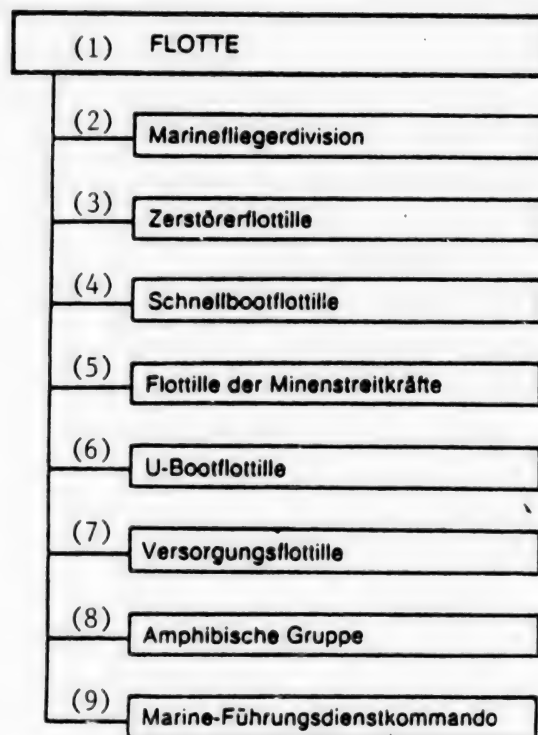


Fig. 1.

Key: 1. Fleet	6. Submarine flotilla
2. Naval flight division	7. Supply flotilla
3. Destroyer flotilla	8. Amphibian group
4. Speedboat flotilla	9. Naval guidance service command
5. Flotilla of the mine combat forces	

The commander of the North Sea Naval Combat Forces (BSN) incorporates an operative engagement staff with its own naval headquarters (MHQ) in Sengwarden by Wilhelmshaven. No combat units are directly under his control. In peacetime the BSN under orders from the fleet commander has "operational control" (OPCON)³ of overseas combat forces in the North Sea and in foreign waters as well as operational control of naval reconnaissance aircraft and submarine detection aircraft.

In specific waters or for definite tasks, e.g., in NATO maneuvers, the fleet commander or the BSN also take over the operational control (OPCON) of those combat forces assigned to them from other NATO navies.

In a defense situation after transfer of command authority to NATO the fleet commander and the BSN enter the NATO command structure as Flag Officer Germany (FOG) and Commander German North Sea Subarea (CGNS) respectively and form in this capacity on an equal plane together with the Flag Officer Denmark (FOD) the three operational command authorities of the Commanders Allied Naval Forces Baltic Approaches (CNBA) (Figure 2). The CNBA receives

operational command⁴ over the German and Danish sea combat forces and sea-air combat forces assigned to NATO and hence has operational command over all operationally effective combat units of the fleet.

FOG and CGNS thus exercise OPCON both over the NATO combat forces assigned to them and also over the forces which remain under national command. Basically these include all support forces and all land units of the Navy.

The Fleet Command was established 26 years ago and has since then been subjected to many structural changes. The fleet staff today possesses a personnel strength of about 140 officers, 150 noncommissioned officers and 100 enlisted men as well as 200 civilian employees.

In the recent past there has been a substantial increase in personnel parallel with the introduction of computer-supported operational control facilities. The high percentage of civilian employees is essentially a consequence of the existence of the "geophysics" division which is responsible for tasks partially overlapping those of the combat forces and also of the existence of the civilian surveillance personnel.

The organization of the fleet staff corresponds largely to the classical staff organization together with two special features. These latter are the "operation (OP)" division, which must plan and carry out operations and engagements and the division called "organization and data processing (OD)" which is responsible for securing through training, servicing and maintenance the operations of the "MHQ control system" which is equipped with a large-scale computer facility belonging to the Navy (Figure 3).

Tasks

The tasks of the fleet coincide almost exactly with the tasks of the Navy. They require of the fleet: that in peacetime it contribute through its presence and through the introduction of operationally competent combat forces by sea to deterrents, to strengthening the NATO alliance and to the surveillance of national interests; besides this it shall contribute to public enlightenment, to the maintenance of relationships between states and to carrying out search and rescue services by sea; that the fleet shall cooperate in the political control of crisis situations; that the fleet in a defense situation shall repel attacks upon our coasts by sea and shall also repel attacks upon the entrances to the Baltic while contributing to the protection of NATO sea links in the North Sea and in neighboring waters in order to gain time for the reestablishment of peace through political measures.

These general tasks give rise to a number of special responsibilities for the fleet commander:

1. The establishment and maintenance of operational fleet capability.

By operational capability is understood both the material availability of equipment for war at sea and the availability of facilities as well as the

training of units and groups in such a manner as to secure the competence of crews and staffs. But without the will of the soldiers, without their desire to perform and without their readiness for service all degrees of competence and the best equipment will still be of small value. Thus high importance attaches to the education and motivation of all soldiers of the fleet. It is in this area that the fleet commander has special responsibility for leadership.

2. The further development of tactics.

It is important to adapt one's own combat operations capabilities to technical progress while keeping an eye on one's own standards and upon those of possible enemies. For this purpose it is indispensable that there be systematic observation of tactical and engineering developments on the part of the enemy. Insights thus acquired are to be transformed into tactical procedures; these in turn are to be adapted to the operations of the fleet and adapted to the navies of NATO and they are to be communicated to the leaders of tactical operations as a basis for their operational use. These tasks are carried out primarily by the training group for sea tactics. Through this latter group the Fleet Command can exert an influence also upon further development of naval tactics in NATO.

3. Influencing the control of operations in NATO.

To this end it is necessary that experience gained from one's own situation evaluations shall pass over into NATO thinking with regard to the control of operations, so as to reflect the national interest and it is also necessary that our own plan of operations shall develop in harmony with NATO. This task is primarily the responsibility of the fleet staff.

4. Cooperation in the establishment and maintenance of good relations between the FRG and other states.

This is a historic peacetime task of all navies in the world. The accomplishment of this task by the fleet is evidenced in the numerous visits of our units to foreign ports during training exercises. Whenever these exercises enter non-NATO countries they are planned jointly with the foreign office. The appearance of German naval soldiers abroad regularly contributes to the improvement and strengthening of our national relations with the countries visited.

In 1983 there were entered 245 foreign ports in 32 countries between Reykjavik (Iceland) and Abidjan (Ivory Coast) and between Turku (Finland) and San Juan (Puerto Rico).

5. Clarification of the function of the fleet in protecting our country and our allies.

Here it is a question of explaining the task of the fleet within the total defense process both to citizens of our country and also to all those who must make political and military decisions, this process of clarification

being accomplished within the context of visits, invitations, production and information services. At the same time these activities shall aim at making clear the capabilities of the fleet and at establishing and confirming confidence in the fleet. At the same time there should be awakened an understanding of the maritime dependencies of our country. In 1983 about 150,000 citizens have declared their interest in the Navy through visits to the fleet.

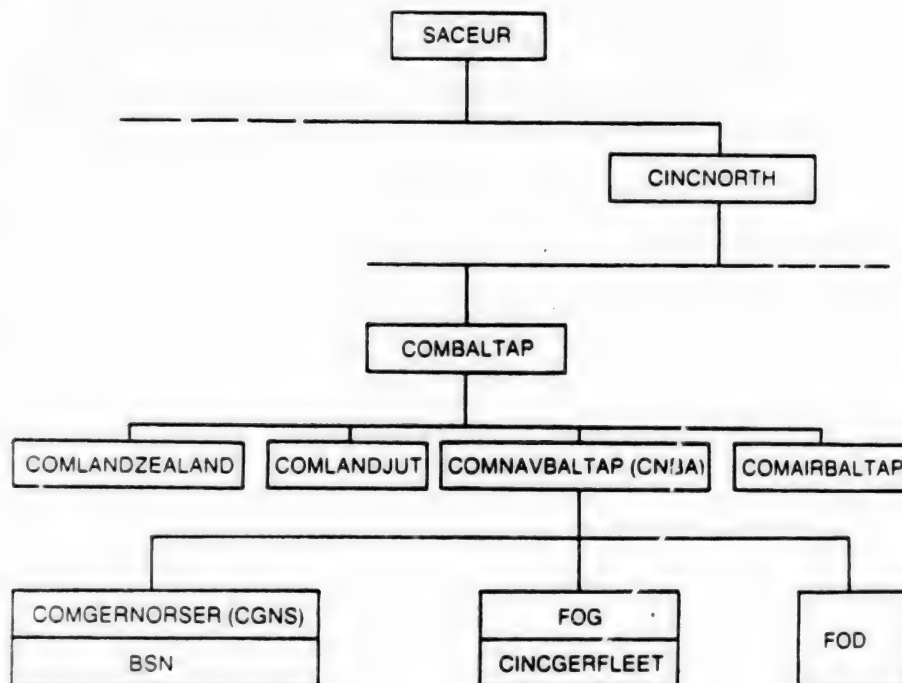


Fig. 2

Operational Control on the Part of the MHQ

There exists no difference in principle between operational control in peace and in war. Also in peacetime many units and groups are controlled directly from the MHQ and in all cases submarines and all operations in the Baltic east of Bornholm are controlled directly from the MHQ. This also applies to distress calls at sea and other emergencies and forms of assistance at sea and also applies to the SAR service. In these cases it is often a matter of minutes. The Gluecksburg MHQ in peacetime is also always capable of taking control. The same applies to the Sengwarden MHQ for the task area of the BSN in the North Sea and Skagerrak.

Operations control in maneuvers and to an increased extent in war imposes extraordinary demands upon information exchange and information processing, situation description, decisionmaking as well as the issuance of commands and the supervision of their execution.

The reasons for this are diverse.

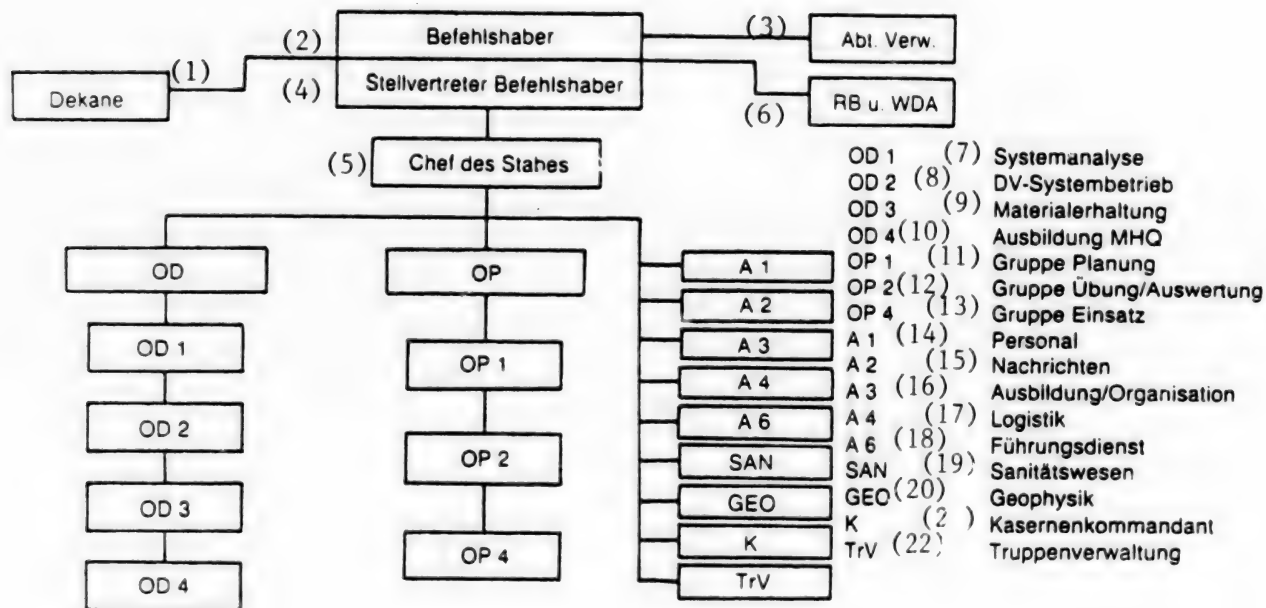


Fig. 3.

- Key:
1. Dean
 2. Commander
 3. Administrative division
 4. Deputy commander
 5. Chief of staff
 6. Legal counsel and military discipline attorney
 7. System analysis
 8. Data processing system operation
 9. Material maintenance
 10. MHQ training
 11. Group planning
 12. Group exercise/evaluation
 13. Group operations
 14. Personnel
 15. Communications
 16. Training/organization
 17. Logistics
 18. Control service
 19. Medical service
 20. Geophysics
 21. Barracks commander
 22. Troop administration

i. The sharply dissected operational area in terms of geography especially in the Danish straits, the geographical diversity with its rapidly changing weather and the difficult hydrographic conditions influence the effectiveness of naval forces depending upon the location, time and enemy and demand a flexible engagement of forces.

ii. The special character of the operational area, the need to operate very close to enemy bases and the complexity of the threat have the consequence that the fleet must have at its disposal almost every variety of modern naval warfare equipment. The use of this equipment complicates the control process.

iii. The constriction of space, the high density of possible enemy, neutral and friendly ships and aircraft and the speed and complexity with which three-dimensional operations at sea take place place high demands on the establishment and maintenance of a current situation picture.

iv. The need to counter a numerical superiority on the part of the enemy by a process of concentration demands an ability to carry out operational control which is almost immediately in a position to organize appropriate forces suited to the particular task in operational groups and to keep these groups continuously informed of the situation while issuing orders to them and in this way bringing them into effective engagement on the combat field.

v. The high degree of interaction between land, air and sea warfare control necessitates continuous information exchange with numerous national and NATO command authorities in order to guarantee close cooperation.

The total of these facts has resulted very early in the recognition that the demand imposed upon the control capability of the fleet commander could be met only through the use of electronic data processing.

Today information reaches the communications center via various communications devices and pathways; from there the information is automatically distributed, processed with the aid of a computer and combined to display a situation picture. Situation evaluation is carried out and decisions are made on the basis of this situation picture. The translation of the decision into operational commands for subordinate units and the transmission of these commands is facilitated and accelerated by the MHQ control system. There has also been substantial growth in the ability to deliver information more rapidly and more reliably to parallel, superior and subordinate control centers. Under high pressure more than 5,000 telecommunication conversations have been processed within 24 hours.

The process of linking up with other computer-supported command centers in the national and in the NATO domain will intensify control consolidation and thus enhance control effectiveness. Control capability is a component of fighting power. Superior control conserves and spares its forces.

Closing Remark

The Fleet Command occupies a special position also in comparison with other national and NATO organizations. Nationally both in peacetime and in a defense situation in its role as a higher command authority it controls the combat and support groups of the naval combat forces. Within NATO it is at this level the only command from which such a variety of naval warfare resources can be engaged in such a confined space and for which such a highly modern headquarters is at its disposal for this purpose.

In a defense situation the fleet commander and the BSN are NATO naval commanders with operational assignments in the Baltic and in the Danish straits or in the North Sea and in the Skagerrak. The fleet commander retains responsibility within his national competence as CINCGERFLEET⁵ for the planning of operations control within the entire operational area of the German Navy.

FOOTNOTES

1. The higher command authorities of the Navy include besides the Fleet Command the Naval Office and the Naval Support Command.
2. Full command denotes the command authority of a military leader. It encompasses all areas of military leadership and administration and applies only within national combat forces.
3. Operational control (OPCON) is the authority conferred upon a commander to lead forces under him in such a manner that he is enabled to carry out specific commissions or to perform tasks which are in general limited with respect to their nature, time and location.
4. Operational command denotes the authority conferred upon a NATO commander to give orders to subordinate military leaders or to assign tasks.
5. Commander in Chief German Naval Forces.

8008

CSO: 3620/262

BRIEFS

JAGUAR 2 TANK DESTROYER--Early December the first missile tank destroyer Jaguar 2, built by Thyssen-Henschel, was delivered to the troops at the combat training center 2 in Munster. The first crew, consisting of staff sergeant Rolf Bachmann (crew chief), corporals Andreas Gatto (aimer), Harald Schmied (loader) and Hans Heigl (driver) took charge of the new weapons system, observed by Lieutenant General Dr. Schaefer, Director of the Army Office, Dr. Hendricks of the board of directors of Thyssen-Henschel, and the General of Army Equipment, Brigadier General, Engineer Rothenberger. With the previously introduced Jaguar 1, bearing a HOT antitank missile, and now with the Jaguar 2 with its TOW device, the army has two modern antitank missile systems of the second generation. Eleven of the 33 antitank companies of the army are to be equipped with the Jaguar 2 in the near future. This modern antitank weapon is a more combat ready, TOW-equipped version of the 20-year-old cannon-equipped tank destroyer, whose 90-mm gun is useless against modern armor. In the course of retrofitting and combat improvement, planned and executed by the Essen Gesellschaft fuer Systemtechnik (GST), the Jaguar 2 received additional armor and track skirts, stronger roof armor, storage space for 12 missiles, an infrared sight device for combat at night or in fog, and, most importantly, the TOW rocket firing device, whose projectiles will penetrate armor at distances of up to 3,000 meters. [g.l.] [Text] [Bonn WEHRTECHNIK in German Mar 84 p 25] 9240

CSO: 3620/245

LEFT'S REACTION TO 'GYMONT' MOBILIZATION CRISIS EXERCISE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 19 Apr 84 p 3

[Article: "France's Military and the Mobilization Crisis"]

[Text] Paris, 18 April. In the event of a mobilization crisis the French military leadership envisages serious internal unrest, strikes, sabotage and terrorist activity in France. The weekly journal LE CANARD ENCHAINE is now publishing the scenario assumed by the planners of the "General Secretariat of National Defense" (SGDN) in preparing their "Gymont 84" exercise last month. The publication is taking place in the form of fragmentary facsimile reproductions of documents bearing the stamp "Confidential, Defense." The assumed sequence of events for the "J--15" day runs according to this as follows: "Start of agitation on a national scale, popular unrest. Mobilization of various movements on the part of pacifists, environmentalists, antinuclear people. Muslim immigrants are exposed to the intense activity of the Islamic movements." Six days later: "The beginning of social unrest: work shut-downs in the industrial areas, especially in the Paris region and in the coal mining basin. Various movements call for strikes. False information disseminated especially by 'free radio stations,' announcing shortages of food and fuel." On day "J--5" in the large cities and before nuclear combat force installations "peace declarations" take place. "J-2": "The capital is paralyzed, attempted acts of violence aimed at disorganizing the country (electricity, postal service, railways, oil pipelines) substantially interfere with mobilization ... food supplies exhausted, banks emptied."

General Charant of the "General Secretariat of Defense" explained these assumptions in this way: "A fairly logical and coherent war game which, however, has deliberately exaggerated the incidents." The "Gymont 84" exercise involved 5,000 officials and members of the military in half of the French departments.

Prime Minister Mauroy dismissed the whole thing as "an unreal game": "In the imagined crisis situation the French people on the contrary would rally about the national president." Indignantly the communist L'HUMANITE declared that it was "distressing to see that in this game of war and catastrophe the populace could be perceived by the leaders of the country as a threat."

MISSIONS OF DOULLENS AIR SURVEILLANCE CENTER

Paris AIR ACTUALITES in French Mar 84 pp 31-38

[Article by Avt. O. Mauraisin]

[Text] At 9 a. m., in a fine drizzle, we arrive at the Doullens Detection and Control Center (CDC), actually located near the village of Lucheux, 12 km from the personnel base. The camouflaged buildings are isolated and blend into the surrounding landscape of fields reaching to the horizon. After receiving a "visitor" badge at the security check point, we enter the inner sanctum: station "Mazout"--code name of the Doullens CDC.

Three Types of Mission

A unit of the "Air" Command of the Air Defense Forces (CAFDA), the CDC is a nerve center of air defense. As such, it monitors our airspace and its approaches, and provides peacetime "policing of the sky." In addition the CDC, which operates round the clock, is charged with control of military air traffic, and participates in rescue operations within its zone of responsibility.

Defense

Continuous air defense has the mission of enforcing respect for our national sovereignty in our airspace. In that context the CDC, as a basic element in detection and evaluation of threats from the air, strives to provide civil and military authorities with the data they need in order to make appropriate decisions in given real situations.

The specific air defense mission of the CDC involves the twin activities of air surveillance and interception guidance.

Air Surveillance

Continuous air surveillance permits constant determination of the general air situation (SAG) in the center's sector of responsibility, which includes

all the coastline from the Cotentin peninsula to the Belgian border, covers part of Normandy and the northern portion of the Paris region, and extends into Champagne. All data concerning suspect, questionable or unidentified flights is instantly transmitted to higher operational echelons: the Northern Zone Operations Center (COZ-N) infra and the Air Defense Operations Center (CODA) at Taverny. The General Air Situation includes four conventional elements: detection, identification, threat evaluation, and alert transmission.

Interception Guidance

In peacetime the center performs an "air police" mission by guiding fighter aircraft to any aircraft unidentified, in violation of traffic regulations, or offcourse.

In time of war or crisis, interceptions conducted by the CDC on orders from COZ would aim at opposing use of the airspace by a possible aggressor.

The center's interception guidance mission is essentially accomplished in conjunction with the three air defense wings based at Cambrai, Creil, and Rheims.

We note that interconnection is an essential element in optimal functioning of the CDC, since radar stations are expected to replace each other in cases of unavailability or destruction. The center is therefore linked permanently to other CDC's dispersed over French territory, to similar centers in Britain, Belgium and the Netherlands, and to civil regional control centers (CCR) in Paris and Rheims. Since the airspace is in fact divided into airways and into different zones to meet the needs of civil and military users, a constant exchange of traffic information is necessary to prevent any damaging interference with flight safety and proper execution of missions.

Traffic Control

Three types of air traffic exist in France: general air traffic (CAG), military operational traffic (COM), and testing and acceptance traffic (CER). The latter two come under military air traffic (CAM) control, which affects combat aircraft on operational, liaison, training, or transport missions which cannot be conducted under CAG rules.

CAM flights are of different types according to the character of radar assistance provided them by CDC's. They may be radar-guided or monitored; protected, in which case they benefit from reserved airspace; or sight controlled. The Traffic Control and Coordination Center (CCT), code named "Mazout Radar," operates the military air traffic control system.

Assistance

Providing for constant guarding of distress frequencies and observation of radar signals, the CDC stands in immediate readiness for all alert or assistance measures needed by aircraft in difficulty or distress. That could mean

transmission of a takeoff order to a Mirage to seek out and guide an aircraft whose radar or radio had broken down. Or it could mean searching for a strayed or damaged aircraft. Within the CDC, the Coordination and Rescue Center (CCS) coordinates search and rescue operations to assist all aircraft, military or civil.

Finally, the CDC also includes the Center for Formulation and Transmission of Fallout Alerts (CEDAR) which is charged with evaluating dangers from radioactivity, determining areas threatened, and alerting the armed forces and population.

"Mazout"

Base support for the Doullens CDC is provided by airbase 922, created in September 1951, whose installations spread over two departments: the personnel base, operational facilities, and radar facilities are in the Somme, while the radio centers are in the Pas-de-Calais.

The radar station proper is split up into several nuclei one or two km apart. The main one is at Lucheux, which the station took over in 1953, and has ground-level facilities for the CDC as well as the technical nuclei; the three-dimensional "Palm-tree" radar is at Watron; the 23-cm panoramic radar and an elevation antenna are at Humbercourt; and two radio nuclei, for transmission and reception, complete the installation.

The operational squadrons, in which are merged controllers and operators, relieve each other round the clock to insure continuity of missions assigned to the "Mazout" CDC. In addition, a training squadron takes charge of the training, over a period of several months, of young graduates of the Controller Training Center (CICAM) at Mont-de-Marsan. Following this complementary training, the young controllers are given responsibility for operational tasks, while still remaining under tutelage for a further period. This squadron is also charged with refresher training of qualified personnel.

Reflecting the missions for which the center is responsible, three types of operational personnel work together in the CDC: air defense controllers, air traffic controllers, and air surveillance operators. Facing their consoles, all three perform complementary missions.

Technical support is the function of the Special Materiel Maintenance and Repair Group (GERMAS), whose personnel numbers 100 and whose activities, organized in four divisions, include detection, data processing (calculation), communications, and the Special Infrastructure Facilities Division (DIPI), whose special responsibility is the electric power station.

The Heart of the Station

Plunged in semi-darkness, and at the height of activity resembling a hive where men and women controllers conduct their activities in calm and silence, the "ops room" is the station's nerve center.

On a platform--the "bridge"--which takes up the whole width of the room, are installed the consoles* of the chief controller, responsible for operational direction of the room**; that of the chief interception controller; and another assigned to the Civil Coordination Detachment (DCC) of the Regional Air Navigation Center (CRNA) in Paris (CCR Paris). In front of the "bridge" are two bays containing consoles used to formulate the general air situation, and others used for guidance and control. On the walls are numerous data panels, one of which, for example, shows the meteorological situation in all our military areas by means of a color code. A clock gives Greenwich Mean Time, the international time standard, which together with the constant hum of radio communications and exchanges of information among the personnel, further contributes to this unique atmosphere.

A fundamental element of each console used by controllers is the "scope," a circular video screen. The image it provides, a map of the region under surveillance by the CDC, is the product of a chain of operations carried out automatically by computers comprising the Air Defense Data Processing and Visualization System (STRIDA). Fully computerized, it makes it possible to process, exchange, and provide in real time all data needed for formulation and follow-up of the general air situation (infra).

Surveillance

We shall now examine the conduct of operations for which the center is responsible, starting with formulation of the general air situation (SAG).

The general air situation is ascertained instantaneously by STRIDA from radar data of local origin or provided by other radars or centers, under the control of an air surveillance operator--a true air sentinel. At this stage he can integrate different data, such the altitude of an aircraft, which is not always provided by the main radar. After synthesis and computerized recording, the essential work is performed by identification operators. With responsibility for complementary zones, their mission is to identify any aircraft entering the airspace for which the CDC is responsible, and which is considered a priori as unidentified. But all flight plans of aircraft operating in the general air traffic pattern over the territory are recorded by the Automatic Air Traffic Coordinator (CAUTRA). This civil system, located at Orly, constantly and automatically informs the CDC of scheduled entries by civil aircraft. The operator has available a tabulator in the form of an electronic screen on which appears the list of all expected

*A console consists of a radar screen, a data display system, and a keyboard for dialogue with the computers.

**The chief controller's main responsibilities are general air surveillance, aircraft control, and alert transmission. He is aided by three section chiefs for interception guidance, air traffic, and air situation, each responsible for the proper conduct of his mission.

penetrations, with all desirable information on each aircraft in general air traffic, including its secondary radar code, or characteristic response code. Thus in the case of an aircraft in penetration the operator refers to the table of expected entries, and compares the flight parameters developed by STRIDA to those of its flight plan, verifies the authenticity of the response code, etc. Once identified, the aircraft is "indexed" and its data stored.

At times identification is a more laborious process for the operator, who is also equipped for listening to radio traffic. The contact is sometimes classified as an "aircraft in violation." Examples of this could be a late radio contact, a departure from the flight plan filed, or, of course, a penetration carried out as a training exercise. Whatever the particular case, the elements of information on the contact are instantaneously transmitted to the Air Defense Operations Center, which determines the measures to be taken, and if necessary orders an aircraft to take off and reconnoiter or intercept the contact.

Guidance and Control

Every military aircraft operating under military air traffic (CAM) control in the airspace for which Mazout is responsible receives the assistance of its controllers, who are qualified, depending on their mission, either as air defense interception controllers or as air traffic controllers.

The first functions as an actual team mate to the fighter pilot he guides from takeoff onward, providing him with all data elements and parameters needed for successful interception of the designated contact, including altitudes, headings, distances, etc., so that he may take up a good position from which to identify, assist, or in time of war destroy the contact. Then, following a successful interception, the pilot returns to base, still radar-guided.

This controller must demonstrate rapidity and assurance in analyzing evolving situations and choosing the most appropriate response tactics. In flight, the pilot at first sees his target only on his radar screen, and later identifies it visually; while in the semidarkness of the operations room, and aided by data from computers, the controller sees everything, or nearly so.

Let us follow, for example, the operations of a fighter squadron, the 2/12 "Picardy" of the 12th Fighter Wing based at Cambrai. Training missions are flown daily, as requested by CAFDA, for interception or combat training of fighter wing pilots, or for training of ground-to-air missile squadrons.

A half-hour or so before each mission, the patrol leader confers by phone with the Mazout controller in charge of his flight, to provide the latter in a quick briefing with the technical details of the mission, in an exchange of data which may possibly be completed or modified in flight as required by actual conditions.

A few minutes before planned takeoff time, the controller mans his console, the "inter cockpit," to take charge of the patrol after its transfer by Cambrai approach control. The mission proper is starting.

For a combat training mission involving four aircraft, for example, two different controllers take charge of two "cockpits," that is, two different consoles, with the exercise targets representing the enemy, and the interceptors. In communication with the pilots over distinct frequencies, they transmit orders to them, or provide them with information which their "adversaries" cannot intercept.

As long as the pilots are in visual contact with their adversaries, the "cockpits" do not intervene in the combat, except for safety reasons.

The mission completed, the pilots are guided on their return towards Cambrai, then transferred to ground control for landing approach. Very soon--within 20 minutes or so after the patrol has landed--a debriefing by phone allows pilots and controllers to exchange, while these are still fresh, their respective evaluations of the progress of the mission they have just flown. Their collaboration then stops, to be resumed between other pilots and controllers for new missions.

Relationships between those professionals are not rigid, and the fighter pilots who are "the eyes of the controllers" (the latter will tell you they are "the eyes of the pilots"--which is equally true), confirm that their collaboration leaves to each of them an appreciable margin of maneuver. The common objective remains always to attain maximum effectiveness in conduct of the air mission.

The traffic controller, for his part, applies himself to radar surveillance of "en route" military traffic, here called CAM, and particularly of CAM B, consisting of scheduled military flights for various missions such as transport, liaison, in-flight refueling, etc.

The CDC's flight information section, set up in the operations room, collects flight plans for those missions, checks their validity in relation to all aspects of the air situation, and may possibly ask for and record a few modifications.

At the scheduled time for execution of the flight plan, a CAM controller views all its elements displayed on his "tabulator," and takes charge, on his "scope," of the aircraft concerned. In addition to that aircraft, others operating in the same airspace are also visualized. In the event a potential problem arises with one of them--converging flight paths, for example--the controlled military aircraft is diverted, since priority is given to airliners. Once the potential conflict is eliminated, it then resumes its course. Finally, as the aircraft approaches the limit of Doullens' zone of responsibility, the controller prepares and executes its transfer to the adjoining CDC. If a CAM mission is a simple one, with linear flight paths and virtually constant altitudes, a controller may be assigned the simultaneous surveillance of several flights.

Today and Tomorrow

The level of activity at Doullens places it in the first rank of French CDCs. Along 750 km of border, it covers a region of very dense air traffic. In normal times approximately a quarter of all air penetrations of French territory are of concern to that center. Of all that happens in its area of responsibility, nothing escapes its notice.

Prospects for the future promise improved surveillance of low-altitude flights, for the new approach radars of neighboring air bases, Aladdins or Centaurs, will be linked to the CDC starting this year. Thus the threshold of detection will be lowered, while dialogue between air bases and the center will be automated. Later on, deployment of forward alert or early detection aircraft should benefit the air surveillance system as a whole.

That system rests upon the availability and competence of controllers and operators. Like those at other French CDCs, the men and women of Mazout who guarantee, round the clock and every day in the year, the integrity of the national airspace, accomplish that essential mission in anonymity and with discretion. Working in the dead of an artificial night, they wear on their uniforms, as the station's insignia, an owl--a nocturnal and benevolent animal par excellence. Like owls, they watch, and most of the time we do not even suspect it.

Radars

The main radar is the "Palmier G," whose silhouette, a cubic bloc topped by a huge radome, rises from a small hillock 2 km from the CDC. Equipped with a parabolic reflector 16 m in diameter and weighing about 10 tons, it is protected by a radome of light construction. As the principal air defense radar, Palmier is a powerful and sophisticated instrument. Being tridimensional, it indicates not only distance and direction, but also site or altitude. In addition, it embodies all improvements enabling it to function despite electronic jamming and provide very good coverage at medium and high altitudes.

In the event Palmier should become inoperable a secondary panoramic radar, technologically similar to those operating at civil air control centers, takes over. This "23-cm" radar is older than Palmier, two-dimensional, and must be associated with a system able to measure altitude: the "Satrape" electronic scanning.

Data Processing Systems

CDC missions could not be accomplished properly without extensive and reliable technical support.

Data provided by radars is processed by several computers.

One computer system, the radar data extractor and microprocessor (EMIR), receives and processes data provided by local radars before its transmission to pursuit calculators. A computer provides communication with distant radar computers, with the automatic air traffic coordinator (CAUTRA) at Orly, and with civil radar satellite stations at Romilly or Evreux, while at the same time performing the data storage function. Particular programs allow for calculations related to continuous evaluation of threats from the air, collision prevention by aircraft under traffic control, and interceptions.

Following those operations comes electronic or synthetic visualization for use by controllers at their consoles.

STRIDA, constantly modernized in terms of its captors (radars, etc.), data processing resources (computers, storage and retrieval), and visualization (controllers' and operators' consoles), offers manifold reconfiguration possibilities.

STRIDA Chain

The purpose of radar data extraction is to provide raw radar data in the form of digital messages called "plots."

Determination of tracks consists of pursuit (association of plots received with antenna revolution); packaging, or searching out and presentation of complementary information elements related to each track; and identification, consisting of assigning to each track a general identification symbol specifying the nature of the friendly aircraft, exercise target, interceptor, or other contact.

Each track is represented on a radar indicator by a vector whose origin is at the aircraft's position, whose length is proportional to its speed, and whose direction coincides with its heading. Symbols are visualized near the track to aid in identification and packaging. This ensemble of data presented on the scope is called the visualization or synthetic video.

Northern Zone Operations Center at Cinc-Mars-la-Pile

At the national level, air defense operations are directed from the Air Defense Operations Center (CODA) at Taverny.

The territory is divided into four air defense zones conforming to the four air regions. Each zone has an Operations Center (COZ) which conducts air defense operations at the regional level.

COZ North

Responsible for instant conduct of those operations in northern and western France, COZ North has initially available to it the fighter wings based at Creil, Cambrai and Rheims or redeployed at other bases.*

Surveillance, Direction, Assignment

The mission of the COZ is to oversee identification of all aircraft, civil or military, entering its zone, for the purpose of ascertaining the general air situation (SAG) and providing tactical direction of air defense missions. In peacetime, that implies monitoring all air security operations intended to insure national sovereignty (air police) and conducted against unidentified aircraft or those in violation of regulations.

In time of war, crisis, or during maneuvers, it implies the choice of objectives to be processed, the choice of interceptors and ground-to-air defense measures most appropriate for destruction of enemy aircraft, and the assignment of objectives to control organizations, aircraft, or ground-to-air defenses.

COZ North also distributes training mission assignments (interceptions with or without air combat) among CDCs, and verifies proper conduct of flights under operational military control.

Finally, each COZ has the mission, within its zone of responsibility, of directing search and rescue operations to assist all civil or military aircraft damaged or presumed to be, and of conducting in-flight assistance operations to aid aircraft in difficulty.

Round the clock, it activates the Coordination and Rescue Center (CCS) located at Doullens.

*COZ North also has available Detection and Control Centers (CDC) at Cinq-Mars-la-Pile--with which it shares a common site--at Doullens, and at Brest; as well as liaison facilities at each of those centers for contact with civil, allied, or neighboring organizations and, if need be, with French naval vessels.

6145

CSO: 3519/309

BRIEFS

NAVAL CONSTRUCTION FUNDS EARMARKED--The brake is applied to investment expenditures. Except for Defense, all ministries are called to the rescue to sustain naval construction. The government has decided to reduce civilian investment expenditures by Fr 2.7 billion, thereby reducing the initial budget by 3.2 percent. At the same time it will withhold Fr 1 billion from low interest loan funds for foreign countries buying French goods, thus reducing this year's allocation by 26 percent. A total of Fr 3.7 billion will then allow it to apply credits in the same amount to naval construction. This sum is in addition to the Fr 1.6 billion already in the budget, and will permit orders to be placed for the five ships announced on 1 March. Ministries most affected by the cuts are Transportation, with a reduction of Fr 723.6 million or 8.1 percent; National Education, with Fr 629.2 million or 12.6 percent; and Research, with Fr 418.3 million or 4.2 percent. Those cancellations will result in an overall average 22 percent reduction in investment funds committed by the state. They are part of a policy aimed at placing the budget under strict scrutiny by offsetting each new expenditure with an equivalent saving. "The government," as is emphasized by the Ministry of Economy and Finance, "has decided to redeploy defense credits, from 1 January, in the amount of nearly Fr 11 billion." Funds for naval construction, as for retraining leaves or repatriation aid to certain immigrant workers, are part of that sum. And to save Fr 11 billion, the state will rely on five steps: strict management of administrative personnel, for a saving of Fr 2 billion; reduction of operating expenses by Fr 0.9 billion; reduction of current aid and subsidies by Fr 4.4 billion; reduction of loans to foreign governments by Fr 1 billion; and redeployment of Fr 2.7 billion in expenditures for capital equipment. [Text] [Paris LES ECHOS in French 2 Apr 84 p 2/ 6145]

CSO: 3519/309

WYLER ON AIR FORCE PLANE PROCUREMENT

Zurich NEUE ZUERCHER ZEITUNG in German 18 Apr 84 p 24

[Article: "The Air Force in the 'Years of the Leopard': New Combat Aircraft and Jet Trainer in the Forefront"]

[Text] In a talk with aviation journalists Corps Commander Ernst Wyler, commanding officer of the air and air defense troops, stated that in the procurement program priority is being given to a combat aircraft for the 1990's and a jet trainer. Other projects, like antitank helicopters and portable light air defense missiles, enjoy the full support of the command of the air and air defense troops, but must for the present be postponed for financial reasons.

No Weakening of Air Defense

The lean "years of the Leopard" have started for the air and air defense troops according to the comments made by Corps Commander Ernst Wyler at a press lunch with the Association of Swiss Aviation Journalists in Duebendorf. The costly procurement of this battle tank, which is supported without reservation by the air and air defense troop command (KFLF), has as a consequence the fact that the KFLF must be modest in its desires or at least has to exercise patience. But this in no way means that air defense will be weakened and foreign power blocs will take control of our air space. Alluding to such a situation Wyler concluded his remarks in the same way that he had begun, with an animal comparison: "If two elephants make love in your garden, then the lawn will surely be ruined."

At the press lunch the new command staff of the KFLF was introduced, including, in addition to Wyler, Command and Operation Division head Commander Walter Duerig, the commander of airport brigade 32 and director of the Federal Office of Military Airports, Dr Werner Glanzmann, the chief of staff, Brigadier Gen Jean-Claude Kunz, and his predecessor, and a new member, head of general coordination and planning, Brigadier Gen Hans-Rudolf Schild.

The Combat Aircraft of the Future

We shall restrict ourselves to the most important of the large number of answers given to the questions posed by the aviation journalists. The combat

aircraft of the 1990's should be mentioned here first of all. It will scarcely be the FEFA (Future European Fighter Aircraft) concerning whose development an agreement was reached on 16 December 1983 between the FRG, France, Great Britain, Italy and Spain; according to Wyler this is "one shoe size too large."

How is the air force's fleet of aircraft developing? In terms of scheduled improvements, of which the canards must be mentioned as clearly the most conspicuous, the Mirage will be able to fulfill its tasks up to the end of this century; the F-5E "Tiger" which today is still quite new will, of course, be somewhat older by then, but will still be strong. On the other hand, at the beginning of the 1990's the bulk of the Hunters will have to be retired; an exception to this will be those Hunters which have been refitted for Maverick missiles and have been refurbished in respect to combat effectiveness.

The air force will then need a new fighter aircraft as a replacement. Even if it is simpler when compared to the FEFA, it will still be an extremely complex weapon system. In the "duel situation" with an enemy aircraft it must be able to attack from the front and fire its missiles great distances. The pilot himself will no longer see the enemy at all. It is definitely conceivable to have a situation where both pilots so to speak fire their missiles and break away at the same time; the quality of the missiles would then be decisive as to which of the two finds its target. If the intention is to put procurement roughly in the 1991 procurement program, then, according to Duerig, we will have to attack "this project rather vigorously."

The "Jet Trainer"

In terms of the sequence of time a jet trainer must be ordered before the combat aircraft. This task is currently still entrusted to the old Vampire twinseater which from a technical point of view will be viable until 1990. In the case of an "oldtimer" like the Vampire unexpected infirmities of age must be part of the deal.

According to Wyler our air force needs a light jet trainer and not a light ground fighter. Possible candidates on the one hand include the British Hawk and the German-French Alpha Jet, on the other hand the more or less "pure" Aermacchi MB-339 jet trainer from Italy and the Casa C-101 from Spain. In respect to the Alpha Jet it should be noted that the German version in comparison to the French was upgraded to a light ground-attack aircraft.

Of course, it is not this capability which speaks against a training aircraft which at the same time can be used as a light ground-attack fighter, but rather the substantial additional cost. Moreover, in the event of a war, the maintenance personnel necessary for a jet trainer, which is also a ground fighter, would be lacking. In times of peace, training aircraft are serviced by the National Office for Military Airports; but during wartime service its personnel have other jobs to take care of.

Antitank Helicopter Postponed

While the decision in favor of a jet trainer can be anticipated in the foreseeable future, opting for an antitank helicopter will come considerably later. The command staff of the KFLF decisively countered the claim that the antitank helicopter did not enjoy the necessary support of the KFLF. If this project cannot be realized until a later point in time, then that is solely a result of setting priorities. Duerig stressed that preliminary evaluation of the antitank helicopter was undertaken on a large scale. The same holds true of the transport helicopter as well; the KFLF spent more than 12 years on these studies. In line with that Duerig lamented the fact that the army does not attach more importance to the transport helicopter, for after all this equipment could play a decisive role during mobilization.

Of course, on the other hand, Duerig did not conceal the fact that the ideal antitank helicopter to meet Swiss requirements does not yet exist. The Italian Agusta A-129 would come closest to these requirements because from the outset it was consistently designed as an antitank helicopter. The A-129 recently took its first flight. Waiting to procure an antitank helicopter might also turn out to be a wise move for technical-tactical reasons.

12123

CSO: 3620/255

BUDGET COMPROMISE GIVES SCHLUTER COALITION NEW BREATHING ROOM

Prime Minister Praises Compromise

Copenhagen BERLINGSKE TIDENDE in Danish 26 Apr 84 p 6

[Article by Dan Axel and Michael Ehrenreich: "Growth, Progress, and Fewer Unemployed"]

[Text] An economic growth of over three percent, continued strong progress in employment, and further reduction of unemployment.

These were the goals Prime Minister Poul Schluter set yesterday for the Danish economy in 1985, as he -- with the permission of Folketing leader Svend Jakobsen -- interrupted the agenda Wednesday to make an "announcement of particular importance."

And then the Prime Minister presented the government's agreement with the Radicals to a somewhat surprised opposition that was getting ready for a debate on the sport elite in Denmark.

"The policy of economic recovery that the government began in the fall of 1982 has had such basic effects on interests, costs, and expectations in the economy that an upswing has begun in production and employment in our country," Schluter said.

"The economic upswing has been produced by a strong rise in industrial investment and in export. This is what we wanted. It is a good sign that a sustainable recovery in the Danish economy is underway.

"This development will be continued in the coming years. In order to insure the continuation of this positive development in the coming years, the government and the Radical Liberal Party have made an agreement that sets important lines of development in economic policy for the next few years.

"It is important that we have already established certainty and confidence that the recovery policy will be continued so that it will be clear to the people and to industry what the bases of action in the next few years will be," Schluter said.

Zero Growth

The Prime Minister said that the agreement between the Radicals and the government on the main points of economic policy was "a step on the way toward zero growth in public expenditures." And the government will therefore make sure that the negotiations in the fall on the 1985 budget will hold public expenditures steady from 1984 to 1985," Schluter said.

"In the meantime, the assumption is that in the negotiating period beginning in the spring of 1985 we will also attain a slower growth in monetary income than the countries we compete with," Schluter said.

"And since inflation abroad has declined, the rate of growth in our country must be less than in the present negotiating period.

"Negotiations between the economic groups before the final negotiations in the spring of 1985 must be conducted with this assumption in mind. In good time during the negotiations the government will invite the industrial interest groups to take part in a three-way discussion," Schluter said. He is afraid that "the good prospects will disappear like mist before the spring sun if the path of recovery is slowed down."

Compromise Package Summarized

Copenhagen BERLINGSKE TIDENDE in Danish 27 Apr 84 p 6

[Article by Dan Axel and Michael Ehrenreich]

[Text] The contributions of receivers of pension pay to unemployment insurance will be reduced by 837 kroner to 1,173 kroner a year starting 1 January as a result of the compromise between the government and the Radicals.

The contributions for all other active workers to the unemployment fund is being raised from six to seven times the maintenance allowance, or a rise from 2,010 kroner to 2,345 kroner as the maximum for one year. The payment reduction for those receiving pension pay is based on the rise in member contribution in recent years -- last time 1 January 1983 -- and on the continued suspension of the regulations for maintenance allowance and pension pay that are contained in the compromise.

The compromise also means that the present maximum for maintenance allowance of 2,010 kroner a week and for newly trained workers 1,596 kroner a week will be frozen until 1 April 1986, when according to plan a reform of unemployment insurance will come into effect.

For receivers of pension pay on the first level this means continued receipt of 2,010 kroner per week for those who went on pension pay after 1 January 1983. The second and third levels will continue to make up 80 and 70 percent of this amount respectively.

Those receiving pension pay who went on pension pay at the latest 1 January 1983, the year when a special arrangement was adjusted on the basis of 1983-84 estimates, can receive a maximum of 2,172 kroner per week up to 1 April 1986.

It will become more expensive to use registration offices and courts. The government and the Radicals want to provide 200 million kroner this year alone to set up the so-called court fees.

Thus the basic fees for citizens' cases will rise from 130 to 300 kroner. For bailiff cases the basic fee goes up from 80 to 200 kroner -- just as both finishing bailiff business and requirements for forced auctions will be increased from 150 to 300 kroner.

The fee to appeal to the High Court goes up to 300 kroner from the present 130 kroner. If one appeals further to the Supreme Court, it will cost 500 kroner in the future in contrast to the present 250 kroner. All increases will become effective upon announcement in LOVTIDENDE, that is, the day after approval in the Folketing.

The personal contribution to the maintenance allowance fund will be increased from 1.85 to two percent of the taxable income, because it has now been shown -- only five months after the approval of an extension of the period in which one can receive maintenance allowance by childbirth or adoption -- that the arrangement has become too expensive for the government.

The increase in maintenance allowance payments gives the government an extra income of just about 400 million kroner in 1985, but the change will become effective as early as 1 July.

Government Economists Optimistic

Copenhagen BERLINGSKE TIDENDE in Danish 27 Apr 84 p 6

[Article by Frank Dahlgaard]

[Text] The government's economists predict fewer unemployed, lower price increases, less government debt, and increased growth in industrial investments.

The Danish economy is now moving in the right direction in almost every area.

The above comes from the Economic Ministry's semiannual survey published by the government yesterday. In comparison to the ministry's previous evaluation of the economy in October of last year there is a markedly changed evaluation in a positive direction.

That time the government's economists predicted a strong rise in unemployment and an average unemployment of as many as 315,000 in 1984, but now one is expecting an unemployment this year of only 280,000, a slight drop from 1983

unemployment. In 1985 the government's economists expect a further slight drop in unemployment down to about 275,000, about 10 percent of the work force.

The positive turn in employment comes from a clear growth in employment in the private sector -- a new development -- and a reduced increase in the labor force.

The negative trade balance of 11 billion kroner last year is expected to rise a little to 12.3 billion kroner this year and then to fall to 10.5 billion in 1985. At the same time, the public sector's debt is expected to be reduced markedly, as is shown in the table.

Both this year and next, economic growth will be about three percent, with a slightly rising tendency, and industrial investments are expected to grow at an increasing rate. See the table.

Price increases this year are predicted to come below six percent, and in 1985 the cost of living will only rise by three and a half percent, provided the government's income policy continues to be followed. This means a further decline in the rate of wage increases in relation to the present.

The government economists predict that the average hourly wage in the LO-DA area will grow by a good four percent from 1983 to 1984 in contrast to almost seven percent last year and 10 percent the year before that. For public employees, wage increases will also only differ marginally from the four percent this year.

This means that the wage earners' buying power after taxes is only expected to decline about one percent this year in contrast to a decline of two-three percent last year. The buying power of retirement pensions after taxes, on the other hand, will grow by one percent this year -- a growth that corresponds to last year's amount.

The government economists point out that the economic growth has good footing in Germany, England, and the other northern countries, and this increases our export possibilities. The economists also stress that the development in Denmark is very dependent on the dollar's exchange rate, the international prices of raw materials, and other things.

The semiannual economic report contains a position that shows that the national debt is very large, and growing steadily.

Table 1. This Is How the Government Economists Evaluate a Series of Key Figures for Economic Development in Denmark

Økonomiske nøgletal	1983	1984	1985
Økonomisk vækst (1)	2¾%	2¾%	3%
Vækst i privatforbrug (2)	2½%	1½%	2%
Offentlig vækst (3)	½%	÷ ½%	÷ ½%
Vækst i erhvervs-investeringer (4)	1½%	6%	10%
Prisstigninger (5)	7%	5¾%	3½%
Ledighedsprocenten (6)	10½%	10¼%	10%
Valutaunderskud i % af BNP (7)	2%	2¼%	1¾%
Offentlig sektors underskud i % af BNP (8)	7%	5½%	4¼%

Sådan vurderer regeringens økonomer en række nøgletal for den økonomiske udvikling i Danmark.

Key:

1. Economic growth
2. Growth in private consumption
3. Public growth
4. Growth in industrial investments
5. Price increases
6. Unemployment percentage
7. Foreign currency deficit in percent of GNP
8. National debt in percentage of GNP

Paper 'Positive' on Package

Copenhagen BERLINGSKE TIDENDE in Danish 27 Apr 84 p 10

[Editorial: "The April Compromise"]

[Text] It must be greeted with satisfaction that the government and the Radical Liberal Party have made an agreement on economic-political arrangements

in 1984 and 1985. This makes an important contribution to political stability, which is desirable to preserve the optimistic mood in the economy. To be sure, the government parties and the Radicals do not together have a majority in the Folketing. But under the present parliamentary situation there is still every reason to assume that the April compromise will be able to assemble the necessary support at Christiansborg.

The talk that the government was paralyzed by internal dissention and by the possible departure of the finance minister can now be considered to have been refuted. On the other hand, the Social Democrats have now seriously been outmaneuvered in economic policy for a long time, and this in itself is beneficial for a sensible social-economic development.

One of the agreement's most important contributions to the continued policy of recovery is its points on income policy. It is particularly important that one is already publicly admitting now that the suspension of the automatic cost-of-living adjustments will continue in the period 1985-87. This will certainly give the workers' organizations opportunity for protest. But one will not have to take this seriously for the time being. For it has been clear the whole time that a continuation of the economic-political line did not allow for the reintroduction of cost-of-living adjustments. Finally, it makes it even more clear to the labor negotiators that this question is now definitely decided. In the area of income policy it continues to be said that one expects domestic wage increases a few percentage points under foreign wage increases. There is a clear message in this to labor interests.

The April agreement also has clear finance policy aims. A series of savings is provided for and a reform of the unemployment maintenance allowance system, just as the labor fund's incorrect payments are to be limited. It was desirable to put greater stress on the saving side than it was possible to reach agreement upon. It is not quite satisfactory that in several areas one has replaced savings with increased expenditures and general contributions that in effect will act as increased taxation. The increases in taxes on raw materials and beer meet to some extent radical demands that the government parties have otherwise opposed. Nevertheless it is an advantage that the increase has been relatively small.

All in all there is at present reason to regard the April agreement positively. It will create confidence that the necessary recovery policy can continue.

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REDEFINITION OF ECONOMIC PARTNERSHIP WITH LDC'S SOUGHT

Duesseldorf HANDELSBLATT in German 6/7 Apr 84 p 14

[Article by Wolfgang Hillebrand, German Institute for Development Policy, Berlin: "The Concept of International Division of Labor Must Be Redefined for the Future"]

[Text] India, like hardly any other Third World country, has developed its industrial potential for about 20 years as it has demonstrated all too obviously at the Hannover Fair. Thus it has long outgrown the classical role of an LDC. Cooperation between the FRG and India, Research Minister Riesenhuber emphasized at the opening of the Indian exhibit, is interesting and has assumed new forms because India possesses immense knowledge in its own country. Thus India can serve as a model for future economic cooperation among the Federal Republic, the German economy and the Third World. The old model of international division of labor, shaped by developmental policy thinking of the past, appears to be obsolete according to current trends regarding worldwide commercial and industrial policy changes.

In the seventies, the economic links between the FRG and the non-European LDCs deepened. To them the Federal Republic is the market for semifinished and finished industrial goods second only to the United States in importance. As exporter of capital goods to the countries of this group, the FRG ranks third after the United States and Japan. At present they absorb about 25 percent of the German machine building exports, in plant construction as much as about 60 percent. Beyond that, "production on the spot" in enterprises with German capital participation in the Third World has already reached about 70 percent of the direct exports.

However, since the beginning of the eighties contrary developments have become evident. The share of the LDCs in the total FRG imports is declining. Also the export of capital goods and investment capital to LDCs shows trends of weakness. The intensity of the economic relations with the Third World is declining.

To be able to keep open the market access for LDCs, frequently an offensive strategy is required to accelerate structural changes, in part even an LDC-

oriented structural policy. To stabilize the FRG position as exporter of capital goods and investment capital, also increased economic policy interventions are considered as necessary, especially expansion of the foreign trade development instruments and a more intensive intergovernmental cooperation policy. Thus the bilateral relations are in a complex area of conflict among regulatory, structural, employment, foreign-trade, and development policies.

The position as a liberal importing country thus is regarded as endangered because the FRG adjustment to the changed general international economic conditions took place too slowly. Especially the industrial production machinery has not been reorganized quickly enough in the direction of capital and research intensive production lines with simultaneous reduction of labor and raw-material-intensive production lines.

"Offensive Innovation of Location"

For a switch to an offensive strategy of accelerated structural change, "positive adjustment policies" are demanded, especially wage discipline, increased formation of human capital, high professional and regional mobility and increased product and process innovations. Beyond that, "offensive locational innovations" are recommended in place of "defensive adjustment strategies," which bet on rationalization, enlarging the amount of capital, "defensive technical progress," and "selective protectionism." However, the expectations that the LDCs would automatically profit from an accelerated industrial structural change in the FRG appear to be overdrawn.

A considerable structural change has been taking place for a long time in the production branches of industry that are especially labor intensive. Thus, the number of jobs in the clothing and textile industry declined from about 800,000 in 1970 to about 450,000 in 1983, the number of enterprises from about 8,800 to 4,000. During the same period, clothing and textile imports from non-European LDCs rose from about DM 1.2 billion to DM 7 billion.

Structural Logjam in the Textile Industry?

Without stretching out this adjustment process over a period of time, as it was made possible by the International Textile Agreement, the labor-market and industrial and regional-policy pressures would have been even more dramatic than was the case anyhow. Strategy and policy recommendations which propose a rapid reduction of the trade policy flank protection, "locational innovations" as "offensive adjustment strategy" and exclusive concentration on "intelligent products" without regard to the time factor and the real adjustment capacities are irresponsible. They over-look the fact that

--expansion of growth branches is by no means hampered by lacking availability of production factors which are tied down in labor-intensive branches; rather the assumption is that the production factors released there will not be used in the medium term;

--the structural change thus far in the clothing industry has led to a melting away of the production potential that cannot be further reduced without danger

to the intersectoral link of clothing, textile, textile-machine, and chemical-fiber industries;

--instead of the presumed "virtuous circle"--started by gains in purchasing power--a "vicious circle" is to be expected which could lead to a contraction of the economic cycle through a mechanism of "creating a feeling of insecurity among the employed--higher risk provisions--a wait-and-see attitude among consumers and entrepreneurs."

Therefore, under the present labor-market and economic conditions, much continues to speak in favor of spreading out in terms of time the necessary structural adjustment processes in labor-intensive branches of production.

An even more far-reaching drastic reduction of the basic-materials and producer-goods industry and thus the task of a largely vertically and horizontally integrated industrial core could, however, lead to negative industry and supply strategy consequences.

Clear Warning Against Integrated Production Transfer

Industry rightly warns of the danger of integrated production transfer, interruption of the technology linkage important to industry strategy, impairment of the recycling of raw-material-rich wastes, and supply according to market demand of the subsequent production stages. The international competitiveness of plant construction, which can maintain its technological competence only under the condition of constant testing and improvement of process technologies and product features, could also be jeopardized.

Not even an attempt has been made to examine the extent to which the industrial core ought to have to take into account all these aspects, not even by those who purely and simply note a "structural logjam." Therefore, all the more speaks in favor of a cautious corrective adjustment and further development of the industrial production structure, especially since no one wants to revise the intensive division of labor into which the basic materials and capital goods industries are embedded. But in the future, too, this division will remain primarily an intra-European division of labor. For with Spain, The Netherlands, Great Britain, Norway, Yugoslavia, and some East Bloc countries, industrial locations are available which have quite favorable conditions for raw-material and energy-intensive branches of industry.

However, the diversification potential of LDCs in this area is being overestimated. Cost advantages based on low raw material and energy costs as a rule only suffice for the first stages of production to compensate for comparative disadvantages as a consequence of higher capital costs, replacement investments, management costs, more frequent breakdowns as well as the missing proximity to procurement and sales markets.

The idea that the Federal Republic could improve the prospects for world market integrated industrialization processes of LDCs by accelerated industrial restructuring processes viewed as a whole therefore is too optimistic. It is quite likely that the supply position of the LDCs will get worse because of

capacity adjustments, improvement of the locational conditions through stabilization of the energy price level, of the intensified technical and organizational progress and the more favorable development of the macrovariables in the Federal Republic.

On the other hand, the expectations of being able to overcome the internal growth weaknesses by an export offensive into the Third World should not be overestimated. In view of the reduced financing leeways of the LDCs, the growing tendencies of "unpackaging" and "repackaging" of the technology package by the LDCs, their growing negotiating know-how, and the increasingly sharper international competition will require great efforts for merely stabilizing the position of the German technology exporters. It is not a simple matter to reduce to a common denominator what economic policy need for action exists to make the "barriers to entry" surmountable and to make the high risks in goods, capital and know-how export to LDCs calculable and controllable by entrepreneurs.

In detail, the following assessments have been made:

Export credit insurance is undoubtedly the core of the foreign trade development instruments; it covers about 35 percent of all exports to LDCs.

Industry describes the risk-covering policy frequently as too conservative and inflexible while acknowledging past system improvements. What is encouraged, among other things, is a more flexible covering policy in individual cases and more range risk analyses. Additional exports of a magnitude of about DM 8-10 billion without significant increase in the risk of nonpayment is considered as possible under these circumstances.

However, the loss development since 1980 does not support such optimistic assumptions. Rather it appears that the competent guarantee committee in recent years has already largely made use of the leeway that had been granted in the guidelines to the coverage policy for the 1977 Export Credit Insurance. Therefore it is to be doubted whether the recently renewed emphasis by the Federal Government to take into account in the future even more the overall economic interests as part of the cover policy will stimulate additional exports worth mentioning. In view of the heavy indebtedness of the LDCs, it is more important to keep open the existing cover lines, especially also for those which under the central coordination of the IMF are concluding debt rescheduling and stabilization concepts.

Export credit terms are among the variables which decisively affect the international competitiveness of the German economy. Thus differences in interest rates of one percent for long-term credits, as they are customary in large-scale plant business, effect the sales price by 7-10 percent.

Undoubtedly mixed credits may, unless they are carefully handled, contribute to intensifying the international terms competition. However, mixed credits offer many advantages with careful project choice, strict project checking, and attention by all exporting nations to the allocation guidelines of the OECD Development Assistance Committee issued for mixed credits. Under these

conditions, they make possible financing of additional economically meaningful projects and a structure of rates and terms commensurate with the economic capacity of the LDCs. Moreover, as regards financing terms, they establish equality of opportunity for the German industry in relation to the main competitors.

Bottlenecks in Technology Transfer

Exports of "engineering products" from industrial countries and LDCs have an order of magnitude of \$ 160 billion a year. Nevertheless the LDCs charge on the international level that the industrial countries permit access to modern technologies only to the extent that their technological supremacy is not endangered, that they export the wrong technology, demand excessive prices and limit the possibilities for use by restrictive business practices.

However, the main obstacles in technology transfer are unlikely to be found in the monopolist practices of the technology exporters or in the lack of technological alternatives. The actual bottlenecks preventing efficient use of imported technologies rather lie in the development strategies that frequently do not conform to the situation, in unrealistic ideas on goals of the users of the technology, the inadequately developed technological infrastructure, in the slight clarity of the technology markets, the high search and planning costs in the selection of the technology, and in the frequently still inadequate negotiating know-how of the LDCs in the process of technology acquisition. The starting points for strengthening technology transfer that better meets the needs of the LDCs therefore lie mainly in the LDCs themselves.

However, there is still leeway for initiatives to make the FRG innovation, production, and information system increasingly useful to the LDCs.

Purposeful technology searches or status reports on selected technological problem areas are regarded as important instruments to reduce the high search and planning costs in technology selection, assessment, and application. Therefore, the efforts aimed at facilitating the use of patent information offices and technical information systems should be increased.

However, past experience has made it evident that a public, project-oriented encouragement of the technology development can be successful only under certain conditions. For one thing, it is necessary to include private industry early in the formulation and implementation of the project concept, since project executors outside of private industry usually do not possess the structures to ensure production-engineering conversion and marketing of innovations. On the other hand, there must be an assurance that, following the innovation phase, project executor companies are formed in LDCs which will continue to pursue product and project development as much as possible within the framework of joint ventures.

Increase Presence on the Spot

There are promising cooperation projects that fit into this concept, among other things in the area of joint development of technologies for the utilization of

solar energy. The technology promotion program recently initiated by the Federal Ministry for Economic Cooperation which is aimed at the utilization of new technologies within the framework of enterprise-related cooperation follows this approach. However, viewed overall, the decisive public contribution will lie in the future, too, in supporting the LDCs in developing a scientific-technical infrastructure of their own. At any rate, it constitutes the basic prerequisite for the rationalization of technology imports.

The German economy will have to increase its presence on the spot continuously to maintain and expand market positions in the LDCs. For this purpose, a closely knit network of branches of banks, insurance companies, the technical trade, as well as of chambers of foreign trade and investment and export advisers.

Big industry has long advanced its process of internationalization. In some branches in which big industry is predominant, such as in road vehicle production, in the chemical and plastics industry and in electrical engineering, "production on the spot" already exceeds direct export. Compared to that, the involvement of the smaller and medium-sized enterprises continues to be slight. Thus four fifths of the investors account for only about 3 percent of all direct investments.

The lacking internationalization of the small business industry is attributable to a multitude of reasons. However, the main obstacles include undoubtedly lack of personnel with adequate qualifications in international management. This management bottleneck apparently is so effective that the numerous instruments to promote foreign investments thus far have not been able to fully take hold, especially since for the operating phase hardly any development instruments are available apart from subsidies for plant training in LDCs.

Long-term Qualification Gap

The qualification gap undoubtedly cannot be overcome either in the short term or in the medium term. As a consequence for the foreseeable future small-scale industry must choose a very cautious and low-risk road toward development of overseas market positions. The classical sequence also chosen by the big enterprises follows the chain of direct exports, establishment of sales companies and service branches to the development of simple assembly production whose production depth and assortment is successively deepened and/or broadened.

This cautious internationalization strategy also makes considerable demands on small and medium-sized enterprises. It also should not by any means replace initiatives to alleviate the management bottleneck. In this connection, one solution would be to develop "international management" counseling analogous to the recently intensified innovation counseling. Especially suitable for this task are the chambers of industry and commerce, the German Company for Economic Cooperation, the Reconstruction Loan Corporation, and practice-oriented business management chairs.

As a result of the strategic importance of technology imports, the technology markets in the LDCs are subjected to increasingly stronger state control and

influence. State interest politics, political affinities, and comprehensive international "bargaining processes" are becoming increasingly important to be able to hold one's own in the competition for meager market opportunities. Frequently it will no longer be possible to take advantage of available cooperation possibilities unless the individual enterprise activities are embedded in long-term intergovernmental cooperation policies and there is institutionally secured cooperation of all relevant actors in the economy and the state.

Reaction to the trend toward intensification of intergovernmental contractual relations between North and South frequently evokes the reaction with formulas such as "danger of politicization," "danger of bilateralism," or "disintegration of the world economy."

The Federal Republic recently concluded a broadly conceived cooperation agreement with Iraq. Nevertheless thus far it has been rather reluctant with regard to a comprehensive backing of its bilateral relations with LDCs.

Settlement of Conflicts by Political Dialogue

Intensification of the political dialogue within the framework of comprehensive cooperation agreements and regular consultation processes of commissions composed of several technical fields must, however, by no means lead to abandonment of past principles of intergovernmental cooperation. Such a step must especially not prejudice "negotiated trade," state liability for the success of private cooperation projects, narrowing of freedom of contract of private industry and a too close intermeshing of private economy and state tasks. A comprehensive, institutionalized political dialogue rather offers the opportunity to react constructively to the objectively greater need for settlement between partners that are unequally developed and have different economic policy philosophies.

The development of the FRG-South relations makes it evident that the idea of a constantly deepening international division of labor needs correction. There is neither a new edition of the LDC export successes of the seventies nor will there be an increase worth mentioning of German exports to the LDCs in the medium term. "Management of independence" should rather concentrate on a concept that is concerned with

- strengthening the autonomous technological capacities of the LDCs;
- strengthening of the South-South economic circulation by development of integration areas capable of reproduction;
- trade relations that are primarily directed toward a balanced exchange of complementary goods and less to taking advantage of real locational advantages;
- Keeping open the world economic option for efficient LDCs for structural adjustment processes taking into account the real leeways.

Such an effort is likely to create better conditions for low-friction and advantageous North-South relations than an overdrawn model of international division of labor.

PROGRESS OF NATIONALIZED INDUSTRIES EXAMINED

Slow Recovery in 1983

Paris LE NOUVEL ECONOMISTE in French 26 Mar 84 pp 62-69

[Cover article by Jean Gloaguen: "Nationalized Companies: Ordeal By Fire"]

[Text] Restructuring, losses, and feelings running at a high pitch: the companies nationalized in 1982, intended to be France's "industrial force de frappe," have not held up well in their ordeal by fire.

Anniversary time shows how costly nationalization has been. Nationalized industry operating in competitive market conditions, expanded in spectacular fashion and at great cost by the Left in 1982, has piled up a loss of nearly 40 billion francs in 2 years. Its blast furnace, shipyard, truck, and automobile activities are among the current hot items on the list for reconversion. Does that then mean that the expansion in public sector industry has been a fiasco ?

On 11 February 1982 the nationalization law brought the General Electricity Company [CGE], Pechiney, Rhone-Poulenc, Thomson, and Saint-Gobain--five symbols of large-scale French capitalism (620,000 employees; 215 billion francs in sales in 1981, more than half of that overseas)--into the government's industrial domain. The steelmakers Usinor and Sacilor had been brought in a few weeks before. In the course of the following months, the government was to complete its undertaking by buying shares in Bull, Matra, Dassault, CGCT (ITT group), and Roussel-Uclaf.

So the government is becoming an actor with a determining role in steel, non-ferrous metals, glass, chemicals, pharmaceuticals, aircraft construction, electrical engineering, electronics, and data processing. Speaking in rough terms, it now has twice as much weight in domestic industry (excluding energy); it has reached 17 percent of industrial value added and of the industrial

work force, and 25 percent of industrial investment and industrial exports. Among the Western industrial countries this is a unique level of government participation.

Mr Pierre Mauroy addressed the National Assembly on 9 July and justified this revolution on the grounds that it was the Left's intention to make the nationalized companies the country's "industrial force de frappe." Concerned solely with the public interest and backed up by an ambitious shareholder, those companies would be able to give greater importance to the medium term than to short term profits. What was the bill to be? For the industrial companies it was to run 19 billion francs (the cost to be 47 billion for the nationalizations in toto).

Chairmanships

The first test for the Mauroy government was its choice of board chairmen. Mr Roger Fauroux (Saint-Gobain) and Mr Jean Gandois (Rhone-Poulenc) were kept on. Mr Georges Pebereau (CGE) is providing continuity even though he is under Mr Jean-Pierre Brunet. Messrs Georges Besse (Pechiney) and Alain Gomez (Thomson), experienced managers, are settling into the chairs of controversial predecessors. The unanimous commentary held that technical competence was being given precedence. It was the same with respect to the appointments of Mr Bernard Hanon at Renault, the "model veteran in public sector industry," and of Mr Jacques Stern at Bull. One bending of the rule was to occur when Mr Loik Le Floch-Prigent, former chief staffer to Mr Pierre Dreyfus, was named to replace Mr Jean Gandois, who left in a huff.

"State enterprises have to make money. The government is not a collector assembling unpaid bills." That wish of Mr Jean-Pierre Chevenement, the former minister of industry, is far from being fulfilled. In 1982 the 11 industrial firms coming under that ministry's supervision chalked up 19.6 billion francs of losses, twice the amount in 1981 and nine times the amount in 1980. Fiscal 1983 was marked by a slight improvement; nevertheless, it was still disastrous--16.8 billion in losses.

Poor Performances

Half of that drain came from steel. The three nationalized "veterans" didn't shine either. "Model" Renault, handicapped by an unadapted range of products, a truck subsidiary in trouble, and too marginal an agricultural machinery operation, has become an object of concern for the public authorities. As for Mining and Chemical Company [EMC] and CDF-Chimie [French Coal Board Chemicals], they are experiencing chronic problems.

Apart from Saint-Gobain and CGE, the recently nationalized companies have performed poorly. On the one hand, their bosses proceeded in classic fashion to "clean out the balance sheet," which is to say reduce the reserve figures based on transactions in progress which they calculated too optimistically. On the other hand, and most important, the firms were hit by serious problems in certain activity areas: aluminum and chemicals at Pechiney; the telephone industry, electronic components, and X-ray photography at Thomson; and textile fibers and fertilizer at Rhone-Poulenc. The recovery effected in 1983 by these newly nationalized companies is due to the favorable turnaround of economic circumstances in certain areas (aluminum, for example) but is also due to the dumping of millstones being dragged around by several of the firms, Pechiney in particular.

What conclusion does one draw from these figures: Whether nationalized or in private hands, steel would have eaten up money in any event. As for the other nationalized companies, unfortunately they did not have exclusive rights to poor performance figures, as is shown by the large private-sector Peugeot, Michelin, and Creusot-Loire groups. Hard times, heightened by increases in costs, have everywhere dramatically revealed past management errors, short-sighted management, and aging tools of production. "What has been unearthed does not redound to the glory of French capitalism," acknowledges the very liberal deposed head of a company nationalized in 1982.

There was one year during which the firms were spinning their wheels because of the political environment, and then it took another year for the chairmen to familiarize themselves with the new rules of the game. So these uncertainties of 1981 and 1982 also contributed to the deterioration in the figures for public sector industrial enterprises. During that time their big American, Japanese, and German competitors were rationalizing, investing, doing research, and prospecting.

However, Mr Jean Saint-Geours, chairman of the Credit National [National Bank], who is reserved in his comment about the nationalizations in 1981, feels "that in the end they will have provided the benefit of accelerating essential restructuring," a fairly widely shared opinion.

At any rate the adjustment of the boundaries between state companies will make 1983 a milestone in industrial history. Yalta-style division between Thomson and CGE giving the latter a monopoly on manufacturing with respect to telephone exchanges--division of the spoils in chemicals from Pechiney among ELF [Gasoline and Lubricants Company of France], EMC, Rhone-Poulenc, and CDF-Chimie--control of Societe Generale d'Entreprises [General Contracting Company] transferred to Saint-Gobain from CGE--all in all, there are at least 100,000 people who have shifted from one industrial group to another.

Kinds of Logic

In some recent articles Mr Christian Stoffaes, the author of "The Great Industrial Threat," has considered two kinds of logic to have inspired the abovementioned adjustments. First, the pursuit of concentration in mature industrial activities which were affected by the slump. Thus, Usinor and Sacilor picked up Pechiney's specialty steel operations, ELF and CDF-Chimie became the kingpins in heavy chemicals, and CDF-Chimie and COFAZ [French Nitrogen Company] (Total group) have now divided up fertilizer between them. The main virtue of these regroupings is to enable certain industrial groups to specialize in their strong areas after having gotten rid of "cash flow incinerators," as Mr Besse puts it.

In most cases the managers of the big new nationalized industrial groups have just carried out reorganizations that their predecessors had felt were essential but were unable to accomplish because of the reluctance of government authorities to find themselves accused of putting profits into the private sector and losses into the public sector. Mr Jean-Louis Vinceguerra, financial manager of Pechiney, recalls, "The negotiations for the sale of our steel operations to Sacilor had dragged on and on and the government had turned down the sale of our chemicals operation (PCUK) to the American company Occidental Petroleum. Nationalization made it possible to get out of that impasse." Nonetheless, one should note that the reorganization in chemicals, tied to the dividing up of PCUK, was to cost Mr Albin Chalandon his job. ELF's former chairman knew that bringing loss-making operations, which he was invited to amalgamate, back onto an even keel was going to require lengthy, difficult, and costly rationalizing--the same kind of headache as in steel today.

The second big category of adjustments involved betting on a national "champion" in advanced technology sectors. That is how Mr Stoffaes explains the uncoupling of Bull vis-a-vis Saint-Gobain, the concentration of the electrical components industry in Thomson and Matra, Rhone-Poulenc's takeover of Pechiney's pharmaceuticals, and the partnership between Renault and Matra in computer-assisted design. The same kind of logic also inspired what some people are already considering to be the major adjustment of Mr Mitterrand's presidential term--the divvying up of functions between CGE and Thomson.

The basic idea is that France is too small a country to allow itself to have too many competitive companies in strategic sectors. That general scheme graced the era of the big Gaullist projects, but it was gradually abandoned in favor of encouraging competition supposed to break down private preserves. It was in the name of the new doctrine that during the second half of the 1970's Thomson had become CGE's competitor in the telephone industry, that government assistance had been shared out among five semiconductor manufacturers, that Saint-Gobain had been encouraged to become involved in data processing

and office automation, and that Matra launched into watchmaking and auto and aviation electronics. It was to take only a few months to break down those masterly constructions.

Of course the government played a key role in these reconsiderations. It was fine for the company managers if their views coincided with those of the government; such was the case in the Thomson-CGE agreement. It was too bad for them if the situation was otherwise; Saint-Gobain found itself forced into getting out of data processing and office automation. That was a decision which, by the way, gave Mr Carlo de Benedetti a splendid opportunity to get back the French share in Olivetti and give it back to the American giant ATT.

Positions

Dogged by bad luck, the group led by Mr Fauroux has also been subjected to the limitations that the government is imposing on its protege companies as regards outside expansion. Based on its rejection of "creeping nationalizations," the government prohibited that group from taking over the Compagnie Generale des Eaux [General Water Board]. "That is worrying," contends financial manager Alain Minc. "Managing one's boundaries, which is to say the sales and purchases of companies, is part of the normal activity of all big groups."

All this re-divvyng up has resulted in favored positioning for the groups in some business areas: in communications and electrical engineering for CGE; in military electronics and household durable goods for Thomson; in aluminum and copper processing for Pechiney; in glass, cast iron piping, and civil engineering for Saint-Gobain; in fine chemicals and pharmaceuticals for Rhone-Poulenc; and in data processing for Bull. The government, in a strong position because of its long interventionist tradition and its having been intimately involved on a continual basis with most of the big firms, could have pressed for these realignments without nationalization. And the most significant changes brought about by nationalization are other ones, resulting from the behavior of the government as a very distinctive shareholder with its ambitions, its temptations, and its problems.

Must the newly nationalized companies keep aloof from the private sector companies? After the nationalizations in February 1982 many government supporters--led by the CGT--and also a number of small industrialists favored a split. The government, asking its companies to continue to pay their contributions to the manufacturers' bodies and to remain in the CNPF [National Council of French Employers], was to reject such a split. This was a fundamental decision: the Left was then to appear as an objective ally of Mr Yvon Gattaz, launched on a big campaign to revive business and get it out of the arena of political passions. "Paradoxically, nationalization will have reconciled Frenchmen with the bosses," observes Mr Francis Lorentz, general manager of

Bull. At any rate, nationalization was not to be followed by implementation of the Erector Set-type construction devised by certain Socialist theoreticians.

Harassment

Nevertheless, the issue of the autonomy of managers of the nationalized companies has risen. At the start each ministry, each bureaucratic agency felt it was its mission to protect those businesses which now had 54 million shareholders. Hence there was a deluge of forms to fill out, of entreaties to set an example regarding solidarity and reduced working hours agreements, of recommendations for hiring on friends in trouble. At the beginning of 1983 several company bosses were to complain to the president of France about the harassment to which they were subjected by the entourage of Mr Chevenement, then minister of industry. Was the CERES [Center for Socialist Studies, Research, and Education] leader used as a scapegoat in a period of indecision? Did he pay for the activism of a cabinet which had spread out its tentacles? Or did he commit the sin of speaking about companies as if he were their real boss? One thing is certain: he was removed.

Mr Laurent Fabius, who succeeded him, has come into office anointed by President Mitterrand. He is to normalize relations between the government and its industrial companies. He sets himself up as a lightning rod vis-a-vis untimely interventions. He constantly reiterates that the managers have total freedom to maneuver and must make profits. "Except in steel, the managers who haven't come out of the red in 1985 will be punished," he has warned.

As for the nationalized firms, in day-to-day activity they have lit backfires as defensive measures in order not to be transformed into branches of government service. In each of the firms only four or five members of the headquarters staff are empowered to deal with the government bureaucrats. "But we have had it easy with respect to the bureaucracy. The government system was not equipped to deal with the expansion of the public sector. It is going to adjust," says an uneasy CGE dignitary. A Bull official has the same worry: "The ELF detector aircraft and Renault Colombian coffee scandals provide arguments for the pencil pushers who want to stick their noses into the activity of the nationalized companies." Who can tell whether before the officials of those companies make a decision they worry about what people will say in the Presidential Palace or the Finance Ministry?

Officially, the chairmen of the companies are only subject to one constraint-- that they honor the commitments formalized in the "plan contracts." Signed by the companies and the government, those contracts run for 4 or 5 years, are updated every year, and set the firms' broad industrial and social objectives. "Sprinkles of government authority holy water for our strategies," asserts one

boss. Sprinkles of holy water which have blessed the course changes of Thomson, Pechiney, CGE and Bull. Sprinkles of holy water which are the occasion for an annual discussion concerning investments and their financing.

Invest, invest. The Left has kept repeating that the main reason for the lack of French competitiveness was how low investment was. The Left had promised to use the nationalized companies to undertake forced-march modernization. On an overall basis, the 10 industrial firms that come under the supervision of the Industry Ministry increased their capital expenditures by 20 percent in 1983. A figure distinctly lower, however, than what the managers would have wanted. But a matter of big money.

Some people had had dreams: "The government is generous. It will contribute government funds to the nationalized companies to cut them loose from their obsession with the short term." Reality has been less rosy.

During 1982 and 1983 the government and the banks, the latter being tapped very much in spite of themselves, contributed 8.6 billion francs of capital to the steelmakers and 7.6 billion francs to other newly nationalized companies. The urgency of the situation was compelling, and the money was to go for offsetting losses, or, to put it another way, to pay the bill for deferred conversions and not to build up future muscle for the industries. "Consequently, that backwards version of prize-giving made a maximum number of people disappointed," comments a high-ranking official.

Mr Fabius is making efforts to reverse that trend. During recent weeks he fiercely crossed swords with Mr Jacques Delors, his colleague in the Economy and Finance Ministry, so that steel would not take up more than 5.5 billion out of the 13 billion francs he had to allocate. Usinor and Sacilor will still have to find some money elsewhere.

An alternative to budgetary credits is resorting to savings funds. "Mr Delors' colleagues have showed imagination in finding new formulas--participating shares, investment certificates, priority dividend shares," observes Mr Christian Aubin, Thomson's financial manager. What's the snag? Issuing these financial instruments increases already heavy financial burdens: 5 percent of sales at Pechiney and Rhone-Poulenc, and 3.6 percent of sales at Thomson.

Disappointment

The solution being considered by the companies for obtaining funds they don't have to pay for is to get some of their subsidiaries listed on the Stock Exchange. CGE and Thomson are thinking seriously about this. "On the other hand, an industrial group with a highly integrated profile like Rhone-Poulenc does not lend itself very well to that," explains Mr Jean-Pierre Halbron, financial manager of that chemical company.

The heads of the nationalized companies have the task of innovating in labor relations in addition to their being forced to negotiate general company directions with the government.

When Mr Pierre Mauroy announced that the public sector companies were to become "labor relations showcases," the workforce understood that to mean guaranteed employment and guaranteed increases in purchasing power.

They are bound to have become disillusioned. Even though Messrs Georges Pebereau and Alain Gomez made a pilgrimage to CGT offices to explain their agreement regarding the telephone industry, management imperatives prevailed. Mr Besse has cut where it hurts, thrown massive investments at a few worksites, and proceeded to carry out a host of closings of installations. Messrs Fauroux and Le Floch-Prigent have discontinued factories as well.

The result has been that in 1983 the nationalized firms registered a sharp decline in their workforce numbers. To be sure, they have tried to cushion the shock by concerning themselves with retraining their personnel. But hadn't they already been doing that for a long time?

One understands the disillusionment on the part of the unions. "I don't see the advertised showcase. Could it be that it just isn't lit up?" ironically says Mr Paul Marchelli, secretary general of the CGC [General Confederation of Managerial Personnel]. From Mr Gerard Alezard, CGT secretary responsible for economic issues, there is the same observation: "There have certainly been some advances made, but the nationalized groups haven't fundamentally changed their management practices."

However, the personnel managers, all of them new in the six recently nationalized companies, proclaim that there has been improvement in labor relations. "The unions are agreeing to make their stands on economic ground. It doesn't result in consensus but it does make it possible to reduce groundless tensions," Messrs Dominique Balmay (CGE), Jose Bidegain (Saint-Gobain) and Alfred Sirven (Rhône-Poulenc) assert in unison.

While the rank and file are disappointed, managerial personnel in the nationalized companies are frequently disoriented, discouraged, and often have less drive. Management has seen its authority challenged and sometimes seen caps put on its pay increases and has, in fact, taken all this badly. Also, the style of the company bosses at Thomson, Rhône-Poulenc and Renault has sometimes thrown them for a loop.

Threat

These feelings running at a high pitch may well become yet more intensified with the public sector democratization law being enacted within the next few weeks. This law provides for elected workforce representatives to join the boards of directors of parent companies and major subsidiaries.

Mr Alezard feels this is "an opportunity for unions to get more of a hearing and for possible intervention by the workers in manufacturing choices to be made." The political opposition, which has made denationalization one of its major themes, retorts that the public sector democratization law is an innovation which is going to end up paralyzing management.

"There is no question of our succumbing to pressures to replace the managers with politicians," asserts Mr Fabius. However, as a high-level official close to the minister of industry says with regret, "the expiration of presidential appointments has something in common with the time just before ministerial reshuffling."

Will Mr Hanon be kept on? Is Mr Pebereau still in favor? It is open season for predictions.

In the end, the initial years of the Left's management of the nationalized companies have shown how narrow its room to maneuver is. The defenders of the industrial public sector felt it would be possible to simultaneously decree change in the operation of the companies and to call the tune vis-a-vis IBM, Matsushita and Siemens.

Those defenders have gradually discovered that in unrestricted economic conditions it is in the skyscrapers of New York, Tokyo and Frankfurt that the rules of the game, the rate of becoming automated, and the introduction of new technologies are decided--at least if one wants to remain competitive. This is hard to swallow.

[Table] Nationalized Company Figures: The Industrial Nationalized Companies
in Competitive Economic Sectors

<u>Company</u>	<u>(in billions Sales of francs)</u>				<u>(in billions of francs) Industrial Investments</u>			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Nationalized In 1982:								
CGE	45.8	56.7	65.7	62.4	1.5	1.9	2.3	2.6
Saint-Gobain	39.7	43.5	51.3	57.4	2.3	2.5	3.5	2.9
Thomson	36.5	43.7	47.0	47.0	1.6	2.0	2.4	2.8
Rhone-Poulenc	30.2	31.5	37.2	43.1	2.6	2.4	2.2	2.5
Pechiney	38.1	28.1	26.0	29.0	2.3	2.2	2.0	2.7
Bull	<u>6.3</u>	<u>7.3</u>	<u>8.1</u>	<u>10.0</u>	<u>0.3</u>	<u>0.5</u>	<u>0.5</u>	<u>1.0</u>
Sub-Total	196.6	210.8	235.3	248.9	10.6	11.5	12.9	14.5
Nationalized In 1981:								
Sacilor	16.7	17.5	28.3	27.7	0.7	0.9	1.5	2.0
Usinor	<u>21.4</u>	<u>24.7</u>	<u>26.9</u>	<u>25.0</u> ^e	<u>0.8</u>	<u>1.0</u>	<u>1.0</u>	<u>1.6</u>
Sub-Total	38.1	42.2	55.2	52.7	1.5	1.9	2.5	3.6
Previously Nationalized:								
Renault	79.7	88.0	104.1	109.0	6.7	8.0	8.6	10.0
CDF-Chimie	11.0	11.8	12.5	18.0	0.4	0.3	0.3	0.8
FMC	<u>7.5</u>	<u>8.5</u>	<u>9.5</u>	<u>7.9</u>	<u>0.2</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>
Sub-Total	98.2	108.3	126.1	134.9	7.3	8.7	9.3	11.3
Overall Total	332.9	361.3	416.6	436.5	19.4	22.1	24.7	29.4

e=Estimate

<u>Company</u>	(in millions of francs)			
	<u>Net Profit/Loss Results</u>			
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983^e</u>
Nationalized In 1982:				
CGE	556	586	638	600
Saint-Gobain	932	566	104	250
Thomson	502	-168	-2,208	-1,000
Rhone-Poulenc	-1,884	-286	- 787	- 100
Pechiney	792	-2,416	-4,615	- 600
Bull	180	-449	-1,351	- 650
Sub-Total	+1,078	-2,167	-8,219	-1,500
Nationalized In 1981:				
Sacilor	-2,006	-2,897	-3,737	-5,500
Usinor	-1,255	-4,241	-4,604	-5,000
Sub-Total	-3,261	-7,138	-8,341	-10,500
Previously Nationalized:				
Renault	638	- 690	-1,281	-2,500
CDF-Chimie	- 546	-1,213	- 834	-2,200
EMC	- 10	- 312	- 946	- 150
Sub-Total	+ 82	-2,215	-3,061	-4,850
Overall Total	-2,101	-11,520	-19,621	-16,850

e=Estimate

[Figure] 1982's Dizzy Drop:
Net Overall Profit/Loss
Figures for Industrial Companies
Nationalized in 1982
(in millions of francs)



Industry Minister Fabius Interviewed

Paris LE NOUVEL ECONOMISTE in French 26 Mar 84 pp 66-67

[Interview with Mr Laurent Fabius, minister of industry, by Jean Gloaguen; date and place not specified: "'Denationalization Would Pose Formidable Problems For the Private Sector'"]

[Text] [Question] To go by what the unions say, nationalization of the big industrial groups has hardly changed the management and internal activity of those groups. When it comes down to it, what has been the use of this nationalization?

[Answer] Even though it is, 2 years after the fact, still too early to make a real assessment, I would observe first off that the 1982 nationalization hasn't led to either the catastrophes or to the torrent of disputes predicted by some people. Although there remain some problems, it has, on the contrary, unquestionably breathed new life into the companies which have become the property of the state. Except for the General Electricity Company and Saint-Gobain, most of those companies were in a bad state and were doomed to being "sold off in pieces." The size of their losses in 1982 makes that clear.

Nationalization made it possible to both "recapitalize" them through government appropriations and carry out essential restructuring. Neither the takeover of PCUK by ELF, Rhone-Poulenc, EMC, and CDF-Chimie, nor the agreement between General Electricity Company and Thomson, nor Pechiney's reconcentration on aluminum and fine metallurgy could have taken place in a private sector context; everyone acknowledges that. Yet, all those developments were necessary. Miracles cannot be accomplished in 2 years, but so far as these developments are concerned we are on the right track. Moreover, the economic activity of and recovery in these companies is plainly having an overall positive effect on investment, employment, and the balance of payments.

[Question] And on labor issues?

[Answer] I am going to be more qualified on that score. Some progress has certainly been made. In 1983 130 agreements on the right to be heard were signed. The "group committees" are meeting. Internal dissemination of information to workforces has improved. It is true, however, that one often hears people say that "nothing has changed." I want labor changes in the recently nationalized companies to be accomplished more quickly. Those changes have been heretofore limited, particularly by various sources of inertia. The upcoming change in the membership of boards of directors, with the election of workforce representatives to the boards, should provide new impetus.

[Question] Rumor has it that certain board chairmen are not going to be kept on in these board changes. Isn't that in conflict with your statements establishing the evaluation criteria for management as the 1985 financial performance figures? To put it another way, what autonomy do the managers of the recently nationalized companies have?

[Answer] The government as shareholder requires that the companies be successful. Successful in terms of the entire nation and the workforce--not just in financial terms, but also in terms of labor concerns, research and development, exports .., We wanted to avoid the traps which have caused some well-known experiments in other countries to fail: giving precedence to choosing politicians; refusing to respect a firm's identity; not providing a firm with its own funds; delaying unavoidable changes.

The solution decided on was that of the "plan contract," which enables the government to fit the economic activity of a nationalized company into the country's industrial policy framework. The company has management autonomy in the context of that contract negotiated with its public sector shareholder. The agreement between CGE and Thomson was worked out along those lines.

[Question] The nationalized companies had to wait until mid-March to find out their 1984 appropriations. Isn't that pretty late? In particular, doesn't that kind of allocation favor businesses running at a loss over businesses active in up-and-coming sectors?

[Answer] It is in fact desirable to make the particulars of appropriations known as early as possible. But for the purpose of making those decisions it is also sensible to have a fairly precise idea of the final results firms ended up with in the previous year, and those results aren't available until after 1 January.

Is the system of allocating appropriations set up the wrong way round? That might be so if government monies were being used solely or as a matter of priority to make up for losses. That is not the case. Leaving steel aside, 8 billion francs in 1984 will go to increase company funds, especially for technologies of the future, for the nationalized companies. This compares with the 1.6 billion francs allocated by their private shareholders during the 7 years before they were nationalized. The funds will of course contribute to the industrial expansion of the public sector firms, but they will also contribute to the expansion of the private sector companies they work with. In this regard as well it is the plan contracts which set the framework. The government commits itself to contribute aid in accordance with the aims of the companies.

An example is Renault. Because of international competition that company has to invest 8 to 9 billion francs every year. Without any government allocation its alternatives are evident: either to increase its financing burden, or to defer a portion of its capital program. In either case its competitiveness, as well as its workforce employment and the fate of its subcontractors, would be threatened. Thus, the government as a shareholder will be contributing 1.2 billion francs to Renault this year.

Another example is Bull. During the 1976-1981 period that company did not take in any net cash and yet it spent 360 million francs of dividends in an area--data processing--in which the necessary investments and research are sizeable. The company was bound for extinction. However, it is important for France to have a large manufacturer of computers. In the recovery program the government set up with the company, the former committed itself to participating in strengthening the latter's financial situation. In 1983 government assistance will have amounted to 1 billion francs.

[Question] The fact remains, however, that 2 steel industry groups, which continue to battle it out between themselves, will be soaking up 5.5 billion francs in appropriations--an amount, moreover, which isn't even adequate for their needs.

[Answer] In 1983 the steel industry in Europe lost a great deal of money just about everywhere. In consultation with the unions and the companies we have considered recovery measures to be implemented. The government intends for action on the part of both groups to be coordinated and for coordination to be increased. In this area as well the objective is a return to competitiveness and financial equilibrium.

[Question] All things considered, is there a fundamental difference in the government's relations with private industrial groups as opposed to its relations with the nationalized companies under your ministry's supervision?

[Answer] In the one case the government is the shareholder and in the other it isn't; that's an obvious difference to start with. But we must prevent the public sector and the private sector from squaring off in some kind of Hundred Years War. France has traditionally had a mixed economy. The private and public sectors know how to coexist. The 1982 nationalizations haven't changed that fundamental fact. Remember also that at the time of the debates regarding the nationalizations some people were raising bogeyman-fashion the possibility of the public sector being expanded at the simple request of company workforces. That is a discussion one doesn't hear any more of. Also forgotten is the argument that the Paris Stock Exchange would reject solicitations from the nationalized companies; participating shares issued by the latter have enjoyed the best of receptions.

[Question] However, the opposition talks about denationalizing when it gets in power. Aren't you afraid that the managers are fitting that possibility into their strategy?

[Answer] Contrary to what one sometimes hears, it is a possible systematic denationalization, desired by certain supporters of economic extremism, which would pose formidable problems for the private sector. For if one were to sweepingly denationalize, as some people are demanding, that would soak up all stock market resources currently available for private sector companies. In addition, I think that the rigid slogan of denationalization leads to a deadend: either, and this is what I believe, the industrial nationalizations are succeeding, and in that case why sell the companies, or else the companies are unfortunately failing, in which case who is going to buy them? We live in a country with a mixed economy (private sector, public sector, foreign sector) in which diversity has traditionally operated. We need small, medium and large companies. That multiplicity is a strength. I object to uniformity.

9631

CSO: 3519/308

CONSOLIDATED ANNUAL CORPORATE REPORTING UNDER DELORS LAW

Paris LES ECHOS in French 2 Apr 84 pp 10, 11

[Article by David Martin]

[Text] The advantage of consolidated accounting for a business group is that the financial status and results of the parent company can be presented at the same time as those of its subsidiaries, in order to form a real accounting unit.

Over the course of the years, this actual financial photography of a group has come to be perceived as a necessity, as the development of companies has come to depend less and less on the firm's internal growth, and more on the acquisition of external or even foreign companies. This means that we must now take into account factors such as the incidence of exchange rate fluctuations on the subsidiaries' income.

COB Recommendations

But this consolidated reporting, which is obligatory in a good many of the industrialized countries, particularly in the United States, where it was made compulsory right after the great crisis of 1929 in an attempt to protect public savings and investment, still remained optional in France. Without any precise legal framework, the National Accounting Council and the Order of Chartered and Certified Accountants, to mention only the major professional organizations, and the COB [Stock Exchange Operations Commission], until the present, could only formulate recommendations without much hope of establishing uniform principles and methods of consolidation. Such principles and methods might be based on the U.S. and British standards, considered the most advanced, or on international standards, or perhaps on "generally accepted standards." This has created a great deal of disparity among different groups, both in terms of the homogeneity of the accounts to be consolidated and in terms of the perimeter of consolidation involved.

Given this "legislative vacuum"--with the exception of some limited obligations contained in the law of 24 July 1966 on businesses and in the decree of 23 March 1967--the real starting point for the standardization of consolidated reporting in France goes back to December 1970. At that time the COB in its monthly report, in reference to the recommendations published by the National Accounting Council (and approved on 20 March 1968 by a decision of the minister of economy and finance), issued the following principles to be considered for consolidation:

- a. selection of companies included in the consolidation;
- b. methods of consolidation used: total integration, proportional integration, or the use of an equivalency formula;
- c. exchange rates used for the consolidation of foreign companies;
- d. definition of total consolidated sales volume; and
- e. possibly, any modifications agreed upon in the parameters listed previously for the preceding fiscal year.

These principles, accompanied by a certain number of more detailed instructions about the information to be provided by companies in a group, affected enterprises which, effective July 1971, planned to make a public appeal for investment or to sell shares on the Stock Exchange. These were, then, only "group accounts," and 10 years later, the COB published a report providing evidence that the companies listed on the Stock Exchange had not all obeyed these directives.

The Delors Law

Some major progress had been made, though. In 1981, 363 companies on the official list published consolidated accounts (this was 75 percent of the companies within this category), compared with only 163 in 1971. Moreover, the presentation of the consolidated reports was in most cases accompanied by data on the consolidation methods used (in 89 percent of the cases), and by comments (in 61 percent of the cases), without which the statistics provided would have had little value.

The first step had been taken by most of the companies on the official Stock Exchange list. Now it was time to make compulsory

what had only been strongly recommended, and above all, to act so that the consolidated reports would themselves be certified by auditors (this supposes homogeneity in the methods of evaluating the accounts to be consolidated) and would not simply be the business accounts of the parent company. This requirement is contained in the Delors Law of 3 January 1983, which states that all companies listed on the Stock Exchange "are required" to annex to the accounts of their fiscal year ending on 31 December 1984 "a consolidated financial statement and balance sheet."

In addition, the law of 30 April 1983, which is designed to bring the accounting obligations of merchants and of some companies into compliance with the fourth European directive (to give a "faithful image" of the situation of the company and to include an "annex" containing data on its fiscal year), includes such a provision. It stipulates that "when a company annexes consolidated results to its accounts, the auditors will also certify that the consolidated accounts are in order and accurate and that they give a faithful image of the equity, of the financial situation, and of the financial results of all the companies included in this consolidation."

In 2 years, the accounting reports of French companies should be greatly changed: first of all, by the application in 1984 of the revised accounting plan, which also includes its own "annex"; and secondly, by means of the obligation for the companies listed on the Stock Exchange, starting in 1985, to file consolidated reports. At the same time attempts are to be made to eliminate the great diversity of existing methods and to use, whenever possible, the U.S. and British types of accounting regulations.

Next this will have to be brought into compliance with the seventh European directive (a directive of this nature applies to all the states which sign it, but it leaves up to each one the choice of the methods it will use to reach the goal set), adopted in June 1983 by the council of finance ministers of the EEC.

Meeting Foreign Markets' Requirements

In 51 articles, this document covers in succession the conditions for preparing consolidated reports, modes of preparation of these accounts (balance sheet, statement of profits and losses, and an annex, which "form a whole"), the consolidated management report, auditing, and public release of consolidated accounts, and finally, various temporary and permanent provisions.

The 5-year period scheduled for the application of these requirements is by no means too long. It does seem essential, for French businesses, though--especially companies trading on the Stock Exchange--to adopt this "new deal in accounting" as soon as possible in order to avoid any misinterpretations in financial markets, where people are quite scrupulous about the quality of the accounts of an industrial and financial group which wishes to attract international investment.

The American market, which is considered to be one of those with the most stringent regulations, now seems willing to bend a little, and to make its position on foreign enterprises that want to be listed in the United States or to raise capital in the trans-Atlantic market more flexible. As an example, the Securities and Exchange Commission has just taken a first step by agreeing that foreign firms selling stock could file for approval under rules that differ slightly from the U.S. regulations, with the condition that these differences must be clearly explained in the information notice, and that these rules must be followed during an interim period, while these companies are in the process of adapting to U.S. accounting principles.

This should encourage all major French business groups to hasten to bridge the gap still separating them from their foreign counterparts, despite the clear improvement in the financial information contained in annual reports filed recently.

According to a report recently prepared by the executive council of the Order of Chartered and Certified Accountants, "since the creation of the COB, there are 20 times more consolidated reports." To quote this professional organization, "the publication of consolidated accounts has become systematic for major enterprises, particularly those listed on the Stock Exchange. A statement of financial results almost always accompanies the balance sheet and a consolidated financing table seems more common than a non-consolidated financing table."

"Three-fourths of the companies listed on the Stock Exchange provide a list of consolidated enterprises," the council continues. "The frequency of information on variations in the perimeter of consolidation is declining, but it is hard to determine if this change indicates a trend--which would be quite serious--or if it expresses a temporary downturn of investment in other companies in 1981," points out this study prepared with the assistance of the CESA [Business Education Center] of a sample of the 150 top-rated companies listed on the Stock Exchange, and based on information provided by the COB covering a period of 15 years.

Essential Information

After years of very slow progress in the standardization of accounting and consolidation procedures, the pace has quickened in recent months. The law of 3 January 1983 on the expansion of investment and protection of savings, nicknamed the Delors Law, stipulates in its article 27 that "companies whose shares are listed on the official Stock Exchange index and which have subsidiaries or shares in other companies are required to attach to their accounts for fiscal years ending after 31 December 1984 a consolidated balance sheet and statement of results, using modalities and methods to be determined by a decree of the State Council, which will be issued after recommendations are made by the National Accounting Council."

Shortly afterward, the law of 30 April 1983 on the "harmonization of accounting obligations of merchants and of certain companies with the fourth directive of the European Economic Community, in other words, the application of the new accounting plan, in its article 6 stipulated that auditors must henceforth also certify the consolidated accounts of enterprises subject to their inspection, and not simply their business accounts.

Other provisions, such as the banking law on credit facilities and the law on the prevention of difficulties of business enterprises, should also work toward an improved control of the accounts of private firms. Not all public sector enterprises are covered by the new regulations, though. Such applications have not always been approved by the legislators after spirited debates between the advocates of a gradual integration system and those who are primarily concerned about better management--and as soon as possible-- of public funds.

Starting in 1985, all enterprises listed on the Stock Exchange will be required to publish--with comments--consolidated accounts, but in accordance with the contents of the seventh directive of the Council of European Communities adopted on 13 June 1983, and ratified by the French government, this obligation, beginning in 1990, will be extended to all corporations, limited partnerships, and limited liability companies whose headquarters are located in France.

The parent company and all its subsidiaries will have to be consolidated no matter what the location of the headquarters of these subsidiaries when the parent company holds a majority of the voting rights of the stockholders or associates of a subsidiary enterprise:

- a. Or has the right to name or to revoke the majority of the members of the administrative board, management or supervisory body of a subsidiary enterprise, and is at the same time a stockholder or associate of this enterprise.
- b. Or has the right to exercise a dominant influence over a subsidiary enterprise with which it is associated or of which it is a stockholder, by virtue of a contract signed with this subsidiary or by virtue of a clause in the subsidiary's by-laws;
- c. Or is a stockholder or associate of an enterprise with the following conditions in force: that the majority of the members of the administrative board, or management or supervisory body of this subsidiary were appointed "by the effect of a single exercise of these voting rights"; furthermore, that it controls alone, by virtue of an agreement signed with other stockholders or associates of this subsidiary, the majority of the voting rights of the stockholders or associates of this subsidiary.

In addition to the obligation of having their headquarters located within the EEC, the parent companies of the groups affected must meet at least two of the following criteria: they must have a total balance sheet equal to or above 10 million ECU*, a sales volume equal to or above 20 million ECU, and/or a number of employees equal to or above 500 people. At the end of a transitional period of 10 years, these criteria will be lowered to 4 million ECU for the total balance sheet, to 8 million ECU for the sales volume (or about 55 million francs), and to 250 employees. This means that very few French enterprises will not be covered by these requirements.

Among the accounting documents slated for consolidation are the consolidated balance sheet, the consolidated statement of profits and losses, and the annex (stipulated in the new accounting plan). These documents are to form a "clearly prepared" whole and are designed "to give a faithful image of the financial situation and of the results of all the enterprises included in the consolidation."

* One ECU [European Currency Unit] is equal to approximately 6.8614 French francs.

Also to be included are a consolidated management report giving a "faithful report of changes and trends in the business and the status of all of the enterprises included in the consolidation" with an indication of events occurring after the close of the fiscal year, the expected evolution of all of these enterprises, the activities of the latter in terms of research and development, and finally, the number and nominal value of all of the stocks or shares of the parent enterprise held by the enterprise itself, by subsidiary enterprises, or by a person acting in his own name but on behalf of these enterprises.

We should comment in passing that the parent company may prepare its own consolidated accounts on a different date from its business accounts if it feels it is better to draw up its own accounts a little later than those of its subsidiaries in order to facilitate dividend increases.

As for the revised accounting plan, this provision, inspired by the seventh European directive, and applicable to almost all French enterprises, will be covered by a forthcoming law, but it seems highly unlikely that the government might encourage companies to undertake a revision of their consolidated accounts in order to take into account the inflation parameter, despite the work on this topic undertaken by the National Accounting Council.

7679

CSO: 3519/326

BUSINESS COMMUNITY ISSUES STERN WARNING TO PALME ON POLICIES

Stockholm DAGENS NYHETER in Swedish 29 Apr 84 p 8

[Commentary by Ake Ortmark: "Business Attacks Government: Warns of Increased Emigration"]

[Text] Private business is now renewing its attacks against government policies. DAGENS NYHETER has learned that at a recent luncheon the prime minister was given a message which said in summary: "If the policies are not changed, expect continued emigration of talent, production and employment from Sweden." The Federation of Industries and the SAF [Swedish Employers Federation] with Sven Wallgren and Curt Nicolín in the lead will now meet with Olof Palme and his closest collaborators.

The tone of the new attack by business was indicated by Curt Nicolín at the annual meeting of the Federation of Industries last Wednesday: "Now it is time to go on the offensive. Our tax system is collapsing."

As always, tax policy plays an essential role in the criticism by business. But the tax policies are intimately interwoven with the overall government policies, and also with the worsening climate which according to industry has come about following the Rainer affair. What they are referring to is, among other things, the wave of criticism against loan transactions which are not illegal.

"We are going to tell Palme that if the policies continue there will be increased departures," said the chairman of the Federation of Industries, Sven Wallgren, head of Esselte, to DAGENS NYHETER. "What has already happened should be warning enough for a Social Democratic Government."

Ketchup Effect

"We have seen an increased tendency to move out of Sweden," said Ian Wachmeister, former head of Granges Aluminum and now owner of his own firm. "I believe we will soon see a 'ketchup effect.'"

"Following the Rainer affair it was made clear that it is not a question of the law. Social democratic ideology is above the law, and that is terrible," said Lennart Idin, managing director of the family business Lennart Iden AB in Anderstorp, and member of the board of directors of the Federation of Industries.

Relations between business and government are now described as "divisive and chilly" by one source. "On the one hand the general improvement in the business climate following devaluation has led to an increase in profits and investment. On the other hand the long term problems remain, mainly including the tax policies--now accentuated by interference in bank loan policies."

Feldt Said No

Minister of Finance Kjell-Olof Feldt was invited to participate in a discussion of tax policies at the annual meeting of the Federation of Industries, but he sent his regrets in a "frosty" tone. Feldt considers that he was poorly treated in a previous discussion about the wage earner funds under the sponsorship of the federation. At that time he was the only advocate for the funds, against a number of critics.

The point of departure for the coming deliberations between business and the government is the work taking place in the OECD committee BIAC, of which Curt Nicolin is the chairman. That means that internationally-based arguments about employment policies and other things will be presented to Palme. It is in that connection that the criticism of the policies of the Swedish Government unfolds. They hurt employment, according to the businessmen.

Must Be Protected

"We must always see that the Swedish part functions," said Sven Wallgren. "What exists must be protected. But new investments are often made outside of Sweden because the climate is better there. See what has happened to the textile industry. It is going to be happening increasingly in other industries.

"We invest where it is safest. We belong here in the Swedish culture, and when conditions are the same we invest in Sweden. But a movement abroad has already begun, and it is going to increase."

"We have already had some emigrations from Anderstorp," said Lennart Idin. "Some have begun production businesses abroad. We have these businesses as last resorts. If it becomes too difficult here we will jump off.

"The tax situation for private individuals is unbearable in Sweden. Our employees earn as much as we do.

"My company has established a foothold in Canada. We can begin production there within 5 years.

"Today people speak out openly about moving out as a clear alternative," said Ian Wachmeister. "It was not like that 5 years ago."

Wachmeister said that he and other critics of government policies are disturbed by the debate going on and the interference which took place following the Rainer affair.

"Everything which is legal is OK. It is a dangerous society which begins to apply other kinds of arbitrary judgments."

"It is noteworthy that an authority such as the bank inspectors can promulgate arbitrary orders," said Sven Wallgren. "Rubber clauses lead to the loosening up of the judicial conscience."

Depending

"Ownership of capital has an immensely important role in a market economy. And one must be able to borrow money. A line can not be drawn between 'employment-creating loans' and 'private economy loans.' Society depends on risk takers putting their private resources into activities in which they believe."

"One must make it clear that he has acted in accordance with the moral principles of social democracy when he conducts a transaction," said Lennart Idin. "Forss would have been able to borrow 250 million if it had been to create short term employment. Some kind of trade union judgment determines what one can borrow money for. In no case did the bank inspectors claim that the loan was against the law or that the security was bad. Through the bank inspectors the government can dictate what the banks will loan money for."

Cry Wolf

Those who read the criticism from Wallgren and his colleagues perhaps wonder whether the wolf has finally come. For decades business advocates have shouted that the beast is coming, but no wolf has been seen. Private firms have, over a long period, gone from success to success.

At the same time everyone knows that it is possible to create working conditions which are so unbearable for private capitalists that the system sustains permanent damage. So far we have succeeded in avoiding that critical point, but it does exist.

The problem has often been put clearly by spokesmen for the labor movement. At the party congress in 1978 Soren Mannheimer said, "We are rather many today who see that we are slowly approaching the so-called bursting point. When we change our society step by step, we gradually reach a point, or rather

a phase in time where we have changed the rules of the game so much that we can no longer assume that the owners of capital and business leaders can function as usual"

Noteworthy

The question now is whether business advocates believe that we are at the "bursting point" or at that "phase in time."

Some signs do indicate that. It is noteworthy that the Federation of Industry's chairman is planning an attack against the prime minister before a debate and that he is in that connection warning against--or threatening with--increased emigration "if the policies continue."

The contents of Wallgren's words are naturally--to draw upon Mannheimer--that "business leaders can no longer function as usual."

This is a threat which the labor movement will naturally take seriously. One can anticipate new efforts to influence or control foreign commitments by business.

Tone Down

In the very short term the process will probably be concealed from the public. Both sides have, in spite of Wallgren's hard approach, an interest in toning down the conflict and avoiding a public confrontation, especially since the contacts between the Federation of Industries and the government have been rather chilly in recent years.

But in the longer view of course the fundamental conflict persists. "Socialism can never be united with capitalism"--Mannheimer also said that.

Palme Does Not Believe There Is an Attack

Prime Minister Olof Palme was given the opportunity before publication to read this article and comment on the criticism that was going to be aimed at the government.

Olof Palme expressed the following viewpoints:

"The government was invited to a lunch with business leaders to discuss a report from the OECD committee BIAC of which Curt Nicolin is chairman. We would obviously accept such an invitation if possible.

"At no time was it said that the objective of the luncheon would be an attack against the government. We were not told that Ian Wachmeister would participate, or that the so-called Rainer affair would be discussed.

"I therefore question whether this article is correct. It would be contrary to the style which, despite differences of opinion on various questions, customarily characterizes the relations between government and business."

Director Sven Wallgren had the parts of the article read to him which deal with the luncheon with the prime minister and in which he and the two other representatives of business express themselves. He made no changes.

In the article it does not say that Ian Wachmeister would be present at the luncheon next week.

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CSO: 3650/195

BRIEFS

RECORD LOAN FROM U.S.--The great interest in Sweden's latest loan on the American market has enabled the Office of the National Debt to lower both the interest rate and the brokerage costs, and increase the loan total from \$800 million to \$1.5 billion (12 billion kronor). The loan thereby becomes the largest obligation ever released on the American capital market to any borrower. The entire sum of the loan will be used to pay off earlier, more expensive loans in advance. Thereby Sweden will save 60-100 million kronor per year, which is more than the budget for the entire Office of the National Debt. [Text] [Stockholm DAGENS NYHETER in Swedish 4 May 84 p 8] 9287

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IEA CHIEF CONFIDENT ON OIL SUPPLY, PRICING POLICY

Duesseldorf WIRTSCHAFTSWOCHE in German 16 Mar 84 pp 53-56

[Interview with Ulf Lantzke, secretary general of International Energy Agency, by WIRTSCHAFTSWOCHE editor Wolf-Dieter Michaeli in Paris]

[Text] For its member countries, the International Energy Agency (IEA) in Paris has developed a sophisticated information system which is supposed to eliminate to a large extent any surprise effect from oil crises. WIRTSCHAFTSWOCHE editor Wolf-Dieter Michaeli spoke in Paris with the secretary general of the IEA, Ulf Lantzke, on energy conservation successes in Europe.

[Question] Dr Lantzke, after working for 10 years at the International Energy Agency, you are leaving this organization just at a time when the international oil market is being threatened with closing of the Straits of Hormuz. Does that cause you concern?

[Answer] Experts around the world are in agreement that a total closing of the Strait of Hormuz is technically very difficult. So the greatest risk for which we ought to prepare ourselves would be a slowing down in the flow of oil from the region around the Persian Gulf, because fewer ships are moving through this channel and thus less oil is being transported through the Straits of Hormuz.

[Question] Would that not already be enough to alarm the oil market around the world?

[Answer] That would be a shortfall which the oil market really should be able to cope with under the present conditions. We have capacities totaling 8 million barrels per day. This is 400 million tons per year.

[Question] But to a substantial extent the available capacities lie in the threatened region also.

[Answer] It is granted that of these 8 million barrels, about 5 million are in the Gulf area. These could be supplementarily activated only over pipelines. But at any rate 3 million barrels are available in areas which are not affected by any closing of the Straits of Hormuz. And according to

our assessment, about 1 million barrels could get to the market from the Gulf region by an activation of pipelines presently not being fully used.

[Question] Is this an all-clear signal for the oil-consuming industrial countries?

[Answer] The picture today differs considerably from the situations which prevailed prior to both the first oil crisis in 1973 and also the second oil crisis of 1979. At that time, the market was precisely balanced.

But that is a dangerous situation for the oil market. When room for maneuvering and flexibility are lost, then a political mishap in a relatively small supply area is enough to produce a large effect.

[Question] Even if the shortfall in quantity were manageable, must you not anticipate a "price crisis" which would come from the spot markets? Has the IEA prepared for that?

[Answer] I believe that we have learned a great deal from the relatively rapid temporal succession of the two causes of crisis in 1978/1979--the revolution in Iran and the outbreak of the Iranian-Iraqi conflict. If there is a new incident, the reaction will be very much more cool-headed.

Although in 1979 the quantity lost was relatively small at 2 to 3 million barrels per day, and also the duration in time of the shortfall was not overly long, amounting to about 3 months, the uncertainty about how long it would last and about the extent of the shortfall led to a race for the remaining oil, with the result that prices climbed sharply. Therefore in connection with such incidents what will be important in the future is for information to be passed on very quickly about what quantities are still available and about what stockpiling policy the separate governments intend to pursue.

Within the IEA we have developed by now a very reliable information system for normal times which allows us to provide a good picture within a very short time concerning the situation in the oil markets. In 1979 this system was not yet available to us at the requisite level of quality.

[Question] Is there an admission in this that the IEA crisis mechanism is too formalistic?

[Answer] I regard the rule that the crisis mechanism is not triggered until a loss of 7 percent has occurred as a bad reference limit for a political decision as to when national stockpiles should be used. But in addition to this numerical magnitude we must also take into account, for example, the trend of economic activity. Because ultimately this influences quite decisively the future oil consumption--depending on whether one is in an upswing or a downswing phase.

[Question] Do you see possibilities of making the system more flexible?

[Answer] I think so. In the last 6 years the United States has built up national stockpiles amounting to about 55 million tons and thus has become considerably more flexible in its oil policy. The political discussion about a coordinated course of action on stockpiles has thus become very much more hopeful than it was just 4 or 5 years ago.

[Question] Aside from the establishment of a crisis system, in the 10 years of your IEA activity you have lectured again and again on "energy conservation" as a crisis management mechanism. How successful were you in this effort?

[Answer] I think that we have covered half the distance. Some 10 years ago, such a gain would have been relegated to the realm of illusion. Compared to 1973, the industrial states have reduced their oil input by a third, as much as they need to produce one unit of their gross national product. At the same time, on the supply side they have expanded their variety of other energy sources by about 400 million oil tons.

[Question] Thanks to the price increases by OPEC....

[Answer] Naturally the price increases by OPEC have made these measures easier. In particular the first price shock was quite salutary in retrospect. Because it has gotten us away from a previously more or less careless attitude toward the energy problem.

The second oil price shock was decidedly worse, because it abruptly halted an emerging boom and led to a long-lasting recession.

[Question] Was there really conservation already after the first shock? Was not the reduced consumption of energy caused above all by the stagnant economic situation?

[Answer] In the years immediately following 1973, a surge of decisions were made in favor of energy conservation measures. Information and enlightenment programs were begun, which of course could not take effect immediately. These simply need time to get going.

[Question] But by now oil consumption in the IEA sector is climbing again. In the first month of 1984 there was already an increase of 3.8 percent....

[Answer] ...due to the very cold winter in America and Japan this year and to a generally very mild winter a year previously. Moreover 6 months ago we were already saying that we probably have reached the low point in oil consumption and that the oil consumption will rise again slightly.

Also we have always pointed out that if there is an upswing the energy consumption will again increase as well. For example, this year we are already expecting a rise in oil consumption again in the FRG amounting to about 2 percent.

[Question] Then in view of the predicted economic growth for the OECD sector, is there to ultimately be a disassociation between energy consumption and gross national product?

[Answer] Through restructuring in the energy intensive fields above all--cement industry, iron and steel industry, chemical industry, and paper industry--the gains made in recent years in energy conservation will be enduring. Because 90 percent of the rationalization effect in industry as a whole is the doing of these industrial sectors.

Also in the domain of heating fuel some things will continue to last. Although heating habits can change again, in this area considerable investments have been made which cannot simply be undone. Moreover in times past the individual has realized that he is able to economize a little through prudent behavior and intensive measures. We are the most skeptical with respect to the transportation sector. Because it is here that oil is simply the most difficult to replace.

[Question] In many cases, has there not merely been a switch from oil to other sources of energy?

[Answer] There has been both conservation of energy and also a switching over to other sources of energy. Since 1973 oil consumption in the IEA sector has dropped by over 30 percent, yet energy consumption as a whole has dropped by 19 percent. The 12 or 13 percentage points by which the decline in oil consumption lies above the energy consumption decline represent substitutions by other sources of energy.

[Question] This substituting requires more electricity above all. Does this mean: more nuclear power?

[Answer] I do not see how we can maintain and further develop our economic productive capacity if we do not utilize also the technological processes which are possible for the conversion of other energy sources into electricity. By now we in Europe have 25 years of experience with nuclear power, without there having been a single serious accident.

It is no longer a new technology. Furthermore one must wake up to the fact that a large plant is a great deal easier to control in terms of ecological concerns than a corresponding number of small plants. Therefore the rational conclusion can only be to continue on this course.

[Question] But now many people say that the generation of electricity is the least efficient way to produce energy.

[Answer] The efficiency in connection with electricity generation is certainly less than with other energy conversion processes. But in return for this the efficiency in using electricity is considerably higher. This is forgotten again and again in the criticism of electricity generation.

[Question] In the case of oil, the sharp price increase alone has led to considerable economizings: In your opinion, should the electricity price

as well be raised further in the FRG, in order to conserve more energy on the whole?

[Answer] I am opposed on principle to an artificial tampering with the price level in the industrial countries. For one thing, the price of energy is an important cost factor which has a considerable influence on the competitiveness of the national economies.

For another thing, I doubt that a levy by means of which the energy price level is artificially raised can be fed back to the economy in a way which does not affect competition.

[Question] Thus national energy conservation policy is primarily a matter of "moral persuasion"?

[Answer] Also "moral persuasion," but above all an always concerted enlightenment of the consumer, who even today often still does not know what conservation opportunities he has. Moreover, an influence via the price, but in line with how it is shaped on the market for energy.

[Question] Are you thinking in this connection also of financial aid?

[Answer] Most of the governmental financing programs in support of energy conservation measures were introduced when the oil price was \$12 to \$13. Today the oil price is around \$29, so that many investments work out quite differently. From that point on governmental financial aid could be lowered.

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THRIFT PLUS TECHNOLOGY CURBS PRIMARY ENERGY USE GROWTH

Duesseldorf WIRTSCHAFTSWOCHE in German 16 Mar 84 pp 44-53

[Text] It is not easy to outdo the Germans when it comes to saving energy. But the potential for efficient energy use is far from exhausted. This is shown by an energy policy review 10 years after the first oil crisis.

Was it all in vain? Did drastically higher energy prices, appeals from politicians, and subsidies for energy-saving action result in nothing? Did the economic decline of recent years only cover up the fact that the West Germans are handling energy, as a factor, in just as carefree a fashion as before the first oil crisis 10 years ago? It seems to be so at first sight.

In November of last year, electric power consumption was 8.6 percent above the consumption level of the corresponding month during the year before. In December, the West Germans used 6.7 percent more power than a year before. And in January, power consumption once again rose 8.4 percent above the corresponding level the year before according to initial surveys by the Association of German Electricity Works. The Federal Bureau for Manufacturing Trade in Eschborn reported that the consumption of heavy heating oil, figured for the entire year 1983, went down by 18.6 percent to a figure of 11.4 million tons. But "December for the first time in a long time once again was a month during which sales went up compared to the corresponding period of time the year before."

And Michael von Bock und Polach, chief business manager of the Central Association for Sanitary Heating and Airconditioning, "unfortunately had to observe that the topic of energy saving is increasingly losing significance among the public at large but also on the political scene." The "welcome decline in energy consumption by the citizens, the stagnating oil and gas prices 'appear' primarily to prove those people right who think that energy saving is no longer a particularly current topic."

Heinz Vetter, president of the Energy Technology Society in the VDI (Association of German Engineers) is sounding the same note. During the opening session

of the EC seminar on "Energy Saving in Industry" he admitted "that, because prices on the energy market have relatively leveled off, the topic of 'efficient energy use' at this time no longer has absolute priority in the manufacturing trade and among the public.

In other words, does this mean that a "trend in energy consumption" is taking shape? This question was asked by Hans-Wilhelm Schiffer, an official in the Federal Economy Ministry, in a contribution to a compendium to be published in the spring about the real energy situation in West Germany (Dieter Schmitt, editor: "The Changing Energy Market--10 Years After the Oil Crisis," Volume 26 of the series: Aktuelle Fragen der Energiewirtschaft" [Current Questions of the Energy Industry], Oldenbourg publishers, Munich, 180 pages, DM34).

Energy scientists and managers however warn against drawing any wrong conclusions from that. "In any short-term approach, there is always a problem of explanation," commented Ernst Boeke, director of the Energy Policy Department in the Federal Association of German Industry. He did not detect any abandonment of energy saving.

In the "energy-wise overstuffed FRG" (according to an official in the Federal Economy Ministry) there is--in the opinion of almost all energy experts--of course still a huge potential of saving possibilities for the fourth production factor.

What the American mineral oil multinational Texaco observed recently regarding the world of industry as a whole also applies to Europe's No 1 industrial nation: The first oil crisis will have an effect until the early 1990's and only then would the energy-saving tendencies--which were triggered prior to the second, far worse oil crisis in 1979--make themselves felt.

Be that as it may, the consumption of coal, gas, oil, and nuclear energy went up again last year for the first time in the past 4 years, although only to a marginal degree. Primary energy consumption in the FRG rose from 361.5 million tons of SKE (hard coal units) to 362 million tons SKE--a slight rise of 0.1 percent. The consumption of energy sources thus reached a level on which the West Germans had been once before, shortly prior to the first oil crisis.

The 1973 oil embargo and the first price surge of the oil-producing countries to a level of 333 percent--from \$3.37 per barrel in 1973 to \$11.25 on the average a year later--triggered only a brief shock among the Germans. Until 1975, primary energy consumption declined by 8.1 percent. A year later, we consumed almost just as much coal, oil, and electric power as prior to the crisis. By 1979, energy consumption--also as part of the economic recovery--once again rose by about 17.4 percent to a figure of approximately 408.2 million tons SKE.

Only the second oil crisis of 1979-1980--which pushed the price up to \$35 per barrel in 1981 in rapid leaps--compared to the 1978 level with \$12.98 an increase of 170 percent and compared to the "golden age of oil" in 1973 even an increase of 1,038 percent--brought the Germans to their senses as far as energy management was concerned.

Obediently they strove mightily in line with the slogan coined as part of Bonn's energy policy, that is "away from oil." Mineral oil consumption over the past 4 years dropped 25 percent and natural gas sales also showed only declines between 1980 and 1982. Primary energy consumption as a whole dropped 11.3 percent between 1980 and 1983, going down 46.2 million tons SKE.

But because the West German economy ran down at the same time, energy scientists are trying to figure out how much of the consumption decline can be blamed on the weak growth of the West German economy and how much was actually saved for all time.

Schiffer, an official who works for Lambsdorff, figured out that, out of the 46.7 million tons SKE, which were saved in terms of primary energy between 1979 and 1982, about 60 percent can be traced back to temporary economic and structural changes in industry, to stockpile changes, as well as to the weather.

Heinz-Juergen Schuermann, a scientist working at the Energy Industry Institute of Cologne University, in his "Oelbibel" [Oil Bible] (Heinz-Juergen Schuermann, "Adaptation Processes on the German Oil Markets With Special Emphasis on International Market Relationships," Volume 35 of the series "Aktuelle Fragen der Energiewirtschaft," Oldenbourg Publishers, Munich, 1984, 318 pages, DM32) concludes that "the oil consumption decline since the second oil crisis can be figured in terms of order of magnitude with the following shares:

"Oil saving due to change in consumption habits and substitution--68 percent;

"Oil consumption decline due to decline in economic activities, inventories, and weather--32 percent."

Said Schuermann: "From these causal magnitudes we can arrive at the essential conclusion to the effect that about two-thirds of the mineral oil consumption decline are the result of changes in the market-economy environment of the mineral oil industry and thus can be described as lasting structural changes to the detriment of mineral oil."

Almost everybody saved--industry, households, and small consumers. Only the transportation sector is an exception here if we look at the absolute figures. Here, final energy consumption rose by 20 percent between 1973 and 1982.

Industry comes off best, if we look at the absolute consumption volume. It reduced its energy requirements by almost 20 percent since 1973. Just 10 years ago 95.6 million tons SKE still went for industrial production but in 1982 the figure was only 76.9 million tons. Last year it would seem that the final energy consumption in factories and offices rose only slightly, if at all.

The decline of industrial energy consumption does not show its real dimension until we compare it to the output which went up during the same period of time. According to calculations by the Federal Association of German Industry, the net output in processing industry went up about 2.4 percent between 1973 and 1982. Just 10 years ago it still took 0.93 energy units to turn out one unit of product but this specific energy consumption declined to 0.73 by the year 1982.

Industry representatives of course do emphasize that industry has been handling energy economically not just since the first oil crisis. "Because energy was always relatively expensive in the FRG" commented BDI [Federal Association of German Industry] department head Boeke, "industry has always been figuring very carefully when it came to determining its energy costs." For example, specific energy consumption between 1955 and 1973--in other words, at a time when oil was still available at bargain-basement prices--dropped by 42.7 percent according to data supplied by the BDI.

At any rate, the first and, most of all, the second oil crisis aroused additional energy saving awareness among plant managers, production chiefs, and bookkeepers. Efficient energy use had always been an economic compulsion at BASF [Baden Aniline and Soda Factory], according to board member Otto Landhaeusser at the Ludwigshafen-chemical industry giant; still, "the abrupt rise in energy costs in recent years forced BASF to step up its efforts."

Hans Kerwer of the Federal Association of the Glass Industry and the Mineral Fibre Industry stressed that "the energy price rises after 1973 led to an intensification of efforts to reduce energy costs, efforts which had always been quite pronounced." The cement factories "in recent years directed their attention mainly at the effort to reduce heat consumption for clinker production." And in the opinion of Robert Goergen, chief department head in the Association of German Iron Smelter Workers, "structural change and progress in process engineering" in the German steel plants "were superposed by the energy price development starting in 1974 which produced a further adaptation process on the part of the steel industry in the FRG so as to cope with the changed energy situation."

Energy saving was the big thing for chemical industry enterprises, steel mills, or cement factories, more than for any other industry branches, after the oil price shocks. The three industrial groups consisting of stones and earths, iron-making industry and chemical industry in 1982 likewise still consumed more than half of the energy employed in the entire processing industry.

Special energy officers were appointed and energy commissions were established in the factories and thermal staff agencies were set up. At BASF, for example, the energy savers within 3 years reduced steam consumption by at least one-seventh. This corresponds to a reduction of about 140,000 tons of heating oil used per year. In medium-range terms, while prices continue to rise, it would be possible once again to save 150 tons of steam per hour. In ammonia production, of course, the people in Baden have in the meantime reached the limit of that which is theoretically at all possible with respect to their saving efforts.

The cement industry, which claims about 5 percent of the industrial energy requirement in the FRG for itself, has reached a level in its saving efforts which "can hardly be outdone with presently-known technology also on an international scale," rejoices the Federal Association of the German Cement Industry. Today, at least 5 percent less energy are required to turn out 1 ton of cement than 15 years ago. Of course, during the same period of time, the share of the electric power requirement went up by at least 22 percent because production methods became more electric power-intensive.

In the steel industry--where at least 9 percent of the industrial energy requirement are needed and where the energy cost share out of the total production costs comes to about 25 percent--furnace conversions, changes in smelting methods, and recycling of heat into the production process made it possible drastically to reduce energy consumption. With a monthly output of 4 million tons, it is today at least 16 percent below the figures recorded 10 years ago. To produce 1 ton of steel we now need only barely 740 kilograms of SKE in terms of energy.

The example of the steel industry, however illustrates that not everything that is recorded under the heading of "energy saving" over the past 10 years was actually saved--and that the reduction of specific energy consumption depends heavily on the full utilization of the plants. If the monthly output of the German smelters drops to 2.8 million tons, the specific energy consumption, considering the present-day state of the art, will right away shoot up 20 percent. Unavoidable energy losses would then have a considerably stronger effect,

But at the same time, the rather slack business activity of the German smelters in recent years had an attenuating effect on primary energy consumption. Overall, in other words, figuring for the entire processing industry as a whole, according to ministry official Schiffer, "3.8 percentage points or about one-fifth of the reduced energy consumption in industry thus were a consequence of economic activity while 15.7 percent can be traced back to a decline in the specific energy consumption and can thus be interpreted as energy saving."

As far as Schiffer is concerned, the development of energy consumption in industry over the past 10 years is "an outstanding example for the fact that one cannot immediately conclude that energy was being used more economically just because energy consumption went down--and, conversely, a rise in energy consumption need not necessarily be interpreted as a return to wasteful energy use."

The energy consumption of private households depends far less on the particular economic situation. If we eliminate the influence of the inventory and the temperature as such, then the West Germans over the past 10 years kept up their domestic energy consumption without any change. With about 107 million tons SKE this sector consumed more than 45 percent of the entire West German energy supply.

Since 1969, households and small consumers have been the biggest energy consumers in the republic. Here again, considerable savings were made in recent years. Storm [thermal] windows were put in, new boilers were installed, and walls were insulated with the help of promotion through comprehensive government programs. Today, almost 3 million more apartments are being heated with the energy consumption which has remained practically unchanged over the past 10 years. At the same time, the average residential surface rose from 75 square meters in 1973 to about 83 square meters. The share of apartments with central heating, which have a higher energy requirement than apartments heated by means of stoves, rose from 50 percent to 70 percent. Without heat-retaining measures and the improvement of the efficiency of heating systems, "the energy consumption of households and small consumers would have gone up drastically between 1973 and 1982," BMWi [Federal Ministry of Economics] official Schiffer figured out.

The transportation sector was an apparent outsider in the so positive-looking energy balance of the past 10 years. In 1982, the consumption of gasoline, diesel fuel, coal, and electric power in the transportation sector was almost 10 million tons higher, with a figure of 55.2 million tons SKE, than in 1973. Passenger cars, buses, and trucks consumed almost 28 percent more fuel than 10 years ago. About 22 percent more kerosene is being consumed in aircraft turbines. On the other hand, power and fuel consumption in rail traffic

dropped 40 percent and inland and coastal vessels consumed 27 percent less fuel than 10 years ago.

As in the case of the households, of course here again the rise in absolute consumption conceals considerable structural changes. Between 1973 and 1983, the passenger car inventory grew 44 percent to a figure of 24.6 million cars. At the same time, the engines were considerably enlarged. In 1973, only 40 percent of the licensed passenger cars were in the displacement class above 1,500 cubic centimeters but last year the figure was already 55 percent.

The average gasoline consumption for a travel distance of 100 kilometers dropped from 11 liters to 10.5 liters within a decade. Diesel-powered vehicles today on the average consume only 9.3 liters per 100 kilometers instead of 10 liters.

According to a survey by the German BP in Hamburg, vehicles produced in West Germany today consume an average of 13-14 percent less gasoline than cars built in 1978. The obligation of the West German auto industry to market vehicles with a fuel consumption reduced by 15 percent by the year 1985 was thus discharged ahead of schedule, in the opinion of the Hamburg mineral oil merchants. German car makers had promised fuel-saving vehicles to the federal government by the middle of 1981. At the same time they promised also to offer vehicles, for example, with liquid gas engines.

This agreement between government and industry is a part of the long list of measures through which the social-liberal administration has been trying since 1973 to cut back the energy needs but especially the oil requirements of the Germans. A notice from the Federal Economy Ministry, in a "Survey on the Most Important Energy Saving Measures of the Federal Government Since 1974" lists 54 laws, decrees, regulations, and agreements as well as resolutions.

The catalog for example includes the following:

"Supplementary Provisions on Heat Insulation in High-Rise Construction in the Context of DIN [German Industrial Standard] 4108;

"The introduction of consumption-dependent heating cost calculation;

"A DM4.35 billion program for the promotion of heat energy-saving investments;

"The agreement with the electrical and gas appliance industry by 1985 to reduce energy consumption of energy-intensive equipment up to 20 percent compared to 1978;

"Doubling the tax on light heating oil;

"The resolution to make more than DM1 billion available for energy-saving investments in public buildings;

"The financing of a mobile energy counselling service in rural regions;

"The financing of a measurement series by the Commodity Testing Foundation on the effects of heat-retaining measures in old buildings."

Last year the people in Bonn asked the Munich IFO [Economic Research Institute] to determine what the effect will be of the saving program, which in the meantime has become almost impossible to grasp, by the year 1985. Here is the result: thanks to government measures, energy consumption next year will be at least 30 million tons SKE below the figure which would have been attained without government subsidies and regulations.

During the next several years, it will be especially the household sector which will be the main source for economical use of oil, gas, and coal. According to the calculations of the IFO researchers, 64 percent of the total savings will be accounted for by this group of consumers. In industry, they detected a potential of about 8 million tons SKE while the transportation sector contributes only 2.9 million tons to the saving volume.

In making an advance estimate of energy consumption next year, the Munich researchers concluded, "that the primary energy consumption in 1985 will not reach the level of 1979." Nevertheless, they have urged the federal government to continue to pursue "the energy-policy goals spelled out in the federal government's energy program so that the energy requirement, in longer-range terms, will not become a factor limiting economic growth--the kind of growth which we are trying to achieve since we believe that it is appropriate from the general economic viewpoint."

One thing is beyond doubt: In spite of all real and apparent saving successes in the past, primary energy needs in the FRG will go up again. By how much of course is something which the energy managers and scientists do not want to commit themselves to at this time. Their forecasts were wrong too often in the past because the initial conditions developed in a manner different from the initial assumption.

When the federal government in 1981 presented its Third Continuation of the Energy Program, it also exiled the energy forecasts of the three participating institutes--the Energy Industry Institute of Cologne University, the German Institute of Economic Research in Berlin, and the Rhenish-Westphalian Institute of Economic Research in Essen--to the appendix of its presentation volume.

Here is why: the policymakers in Bonn did not want to be pinned down by the predictions of the scientists.

For the year 1995, those scientists had predicted a primary energy requirement which, depending on economic growth, would have to be somewhere between 460 million tons SKE and 496 million tons SKE. On an annual average, West Germany's primary energy consumption was supposed to have risen between 1.0 and 1.4 percent. But today there is hardly any talk about such figures.

Deutsche Shell AG [Incorporated] for example in the middle of last year confirmed a forecast according to which the primary energy requirement in the year 2000 will be 421 million tons SKE, on the basis of optimistic assumptions, but would only be 332 million tons in case of structural distortions and disturbances in economic growth.

At this time, the Prognos AG in Basel is working on a new forecast, which is to go all the way to the year 1995, on the basis of a contract from the Federal Economy Ministry. In their "outlook" the Swiss also want to come up with an advance estimate of German energy consumption 5 years later. The interim report, which the Prognos researchers recently submitted to the federal economy minister, clearly explains the problems which arise from the "adaptation to changed domestic and international general conditions, superposed by domestic-industry self-reinforcing effect" as far as the forecasters are concerned.

The following, for example, are considered to be of "decisive significance" in predicting energy consumption:

"Number and structure of resident population and private households as well as their future behavior";

"Changes in technological-organizational knowledge which will increasingly determine the competitiveness and thus the future production structure"; and

"Changes in the fabric of international division of labor, brought about last but not least by the changed shortage relationships in energy and raw materials but also environmental assets."

Expressed in less scientific terms, here is what that means: If the trend toward more and more households with apartments with central heating and fully electrical kitchens continues, then this would lead to an increase in the absolute but not necessarily also the specific energy requirement in the household sector.

If industry increasingly switches to the use of electric power, because oil prices will rise more during the next several years than the general price

level, then the final energy consumption will possibly not go up very much. Primary energy consumption on the other hand will go up because, in the generation of power, only 40 percent of the energy volume used will be employed--of course, from energy sources "which presently and for the foreseeable future cannot be used elsewhere for technical or economic reasons," as was emphasized by Horst Magerl, the chief business manager of the Association of German Electricity Works.

If the economy over the next decades grows at a rate of more than 3 percent, then the primary energy requirement will go up additionally. This is because at that time it would seem that the shrinkage tendency in the energy-intensive and raw-material-intensive branches will be temporarily stopped.

In their forecasting work, the scientists in Basel start with three ultimate scenarios:

An extremely optimistic variation in which the structural adjustment crisis in the FRG and in the other industrial countries will be rapidly overcome, "economy and society will less than so far be calling for help from the government when problems come up," structural preservation subsidies will be reduced in favor of modernization and reorganization subsidies. The growth of the GNP here is assumed to be 2 percent for the annual average from 1980 until 1990 and 3.1 percent from 1990 to 2000.

Variant 2 is the pessimistic counterpart: Structural adjustment is only slow, protectionism and trade restrictions are increased, adjustment measures are for the most part not taken. The "government is increasingly called upon to solve problems and individual responsibility is not promoted." In that case economic growth will average 1 percent for the years until 2000.

Looking at Variant 3, "the positive basic mood prevails in medium-range and longer-range terms." Structural change takes place along a middle line. Here, the economy is to grow by 1.7 percent per year until 1990 and thereafter by 2.6 percent.

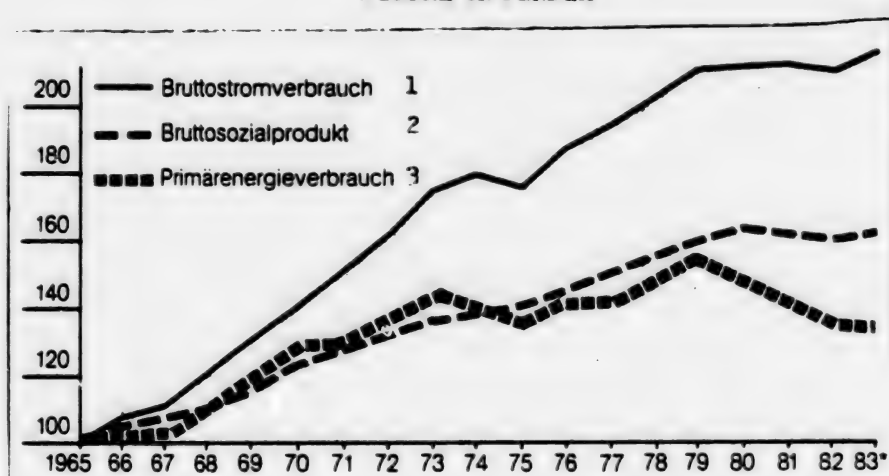
"But we ourselves do not yet know," commented a Prognos staff member how the game with the three scenarios will come out. At the latest by the middle of the year, the institute wants to deliver its forecast to Federal Economy Minister Count Otto Lamsdorff. But from the basic assumptions one can already see that the predicted values will partly be definitely below the estimates of the three German institutes.

No matter how the study by the people in Basel turns out, one thing is certain and that is that the Federal Economy Ministry will not adopt it as its own.

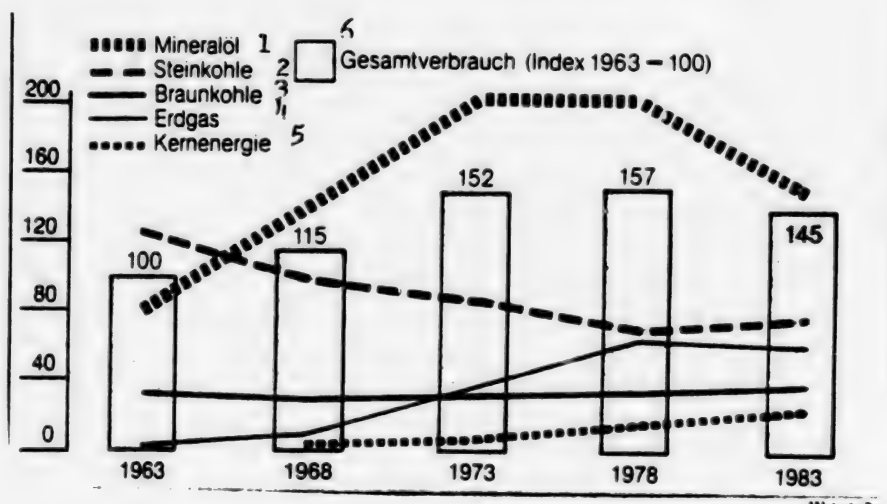
Forecasts are at all times measured by the actual developments. And when those developments deviate from the prediction, then "there is pressure on the government to take action," commented a ministry official. And this is something which the liberal economy strategists in the Lambsdorff ministry want to avoid at all costs.

And so West German energy policy in the future will, much more so than in the past, live on appeals for the further economical handling of energy as a production factor. Albert Probst, parliamentary state secretary in the Federal Research Ministry, is already moving along these lines: At the opening of the EC seminar on "Energy Saving in Industry," he issued the following warning: "under no circumstances must there be any misunderstanding to the effect that the momentary relaxation in the energy supply situation constitutes ground for calling off our energy-policy alert. On the contrary: the growth, which we in Europe and in the FRG want and urgently need, cannot be preserved at the current energy-policy zero rate."

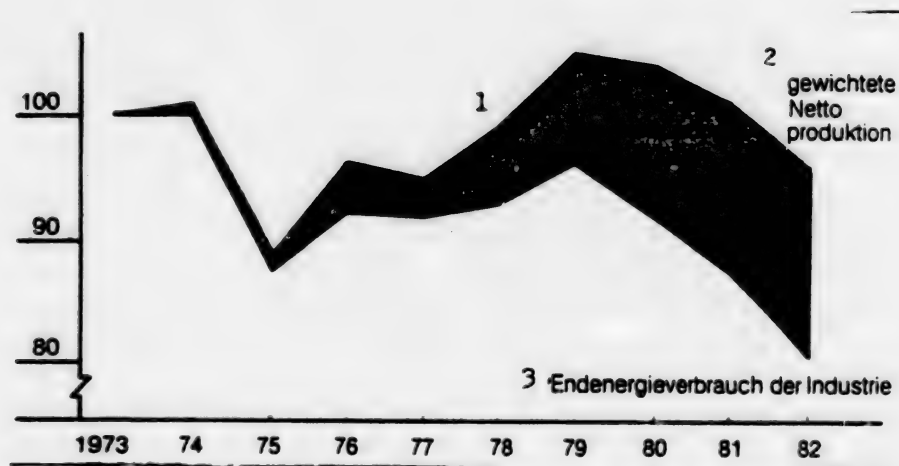
FIGURE APPENDIX



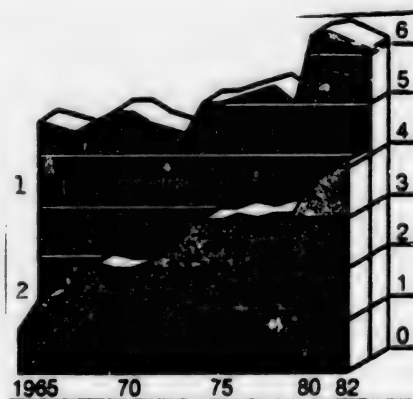
Shock effect. Economic growth and energy demand in FRG since 1965 (1965=100). Key: 1--gross electric power consumption; 2--GNP; 3--primary energy consumption; *--estimated. Source: Federal Ministry of Economics.



Slowed growth. Development of primary energy consumption in FRG between 1963 and 1983 (in millions of tons SKE). Key: 1--mineral oil; 2--hard coal; 3--brown coal; 4--natural gas; 5--nuclear energy; 6--total consumption (index 1963=100). Source: Energy Balance Sheet Study Group, Essen.



Master in saving. Final energy consumption and weighted net output in industry between 1973 and 1982 (1973=100). Key: 1--energy saving; 2--weighted net output; 3--final energy consumption of industry. Source: Hans-Wilhelm Schiffer, "Trendwende im Energieverbrauch" [Changing Trends in Energy Consumption].



Cost factor: Energy expenditures in percent of total expenditures in four-member, middle-income worker household. Key: 1--energy; 2--fuels. Source: Federal Ministry of Economics.

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CSO: 3620/292

NATIONAL ENERGY PLAN PROJECTIONS TO YEAR 2000

Paris DEFENSE in French No 31, Jan 84 pp 11-18

[Report annex to second law on Ninth Plan: "General Energy Policy Under the Ninth Plan" by Pierre Amouyel, chief engineer of mines and department chief of General Planning Commission]

[Excerpt] 1. Approach, and Main Conclusions of Long-term Nature

As summarized in diagram 1, the method followed differs from the preceding plans first of all by its time duration (more than 15 months), the preceding plans having required the formulation and development of economic tools used for the first time in the Ninth Plan. Also, a broadening of the activities beyond the circle of energy qualified specialists has enriched the fund of outside capabilities: the primary examples are the analyses of the Center for International Trend and Information Studies (CEPII), a predictive study of the French economy in the year 2000 carried out by the Economic Information and Forecasting Bureau (BIPE), and use of the Mini-DMS-long-term energy model of economic interaction, developed by the National Institute for Statistics and Economic Studies (INSEE).

1.1. Broad Selection of Economic Scenarios and Energy Strategies

Depending in particular on the international scenarios prepared by the CEPII in February 1982, but also on a complete review of the forecasts or scenarios by international experts in the past few years, the BIPE prepared for the General Planning Commission three scenarios for the development of the French economy between now and the end of the century, in order to identify the likely range of variation of the main factors in energy consumption. Presented in March 1983, these scenarios can be briefly summarized as follows:

(A) A scenario of stagnation in international trade, low economic growth for the world and France, and profound changes in the behavior of households. On the average, the annual rate of increase in the volume of gross domestic product (GDP) would not be higher than 1.4 percent from 1984 to 1990 and 1.8 percent from 1991 to 2000.

(B) A scenario of expanded trade and world economic growth enabling achievement of a GDP volume growth rate of 2.5 percent per year until 1990 and 4.1 percent from 1991 to 2000. However, this scenario is accompanied by a continuing debt level hard to tolerate in regard to economic strategy.

(C) A scenario marked by strengthening of the positive effects of the preceding scenario, by an intensified industrial investment policy that progressively restores the foreign balance but is conditional on a less strong growth in revenue and household consumption during the Ninth Plan. Here, the GDP growth rates would be 2.8 percent from 1984 to 1990 and 4.6 percent from 1991 to 2000.

These three scenarios, which thus present a broad range of economic growth rates, were then correlated with three hypotheses of energy strategy proposed by the long-term group:

- (1) An electricity penetration strategy, prompted by the predictable existence of an electricity surplus in the 1990 timeframe.
- (2) A strategy of minimum investment effort, expressed in practice as a policy favoring oil and natural gas.
- (3) A strategy of rational and balanced use of the various forms of energy.

At the beginning of April 1983, this correlation of economic scenarios and energy policy variables gave rise to 18 energy balance-sheets (nine for the 1990 phase and nine for the 2000 timeframe) submitted for discussion by the long-term group to clarify the limits and the evolutionary factors in energy supply and demand.

A first stage of the discussion produced two new alternatives in energy policy:

- (1) A strategy combining energetic effort in electricity penetration with a policy of rational energy use.
- (2) The same modification applied to "hydrocarbons" strategy.

These two strategies, combined with the BIPE scenarios, led to construction of new possible energy balance-sheets for 1990 and 2000.

All the energy balance-sheets on hand in July 1983 are summarized in diagram 2, dealing mainly with total domestic consumption of primary energy and electricity consumption. Hence, the energy policy decisions reached at the end of July could be based on analysis of a broad range of plausible variations in energy demand over more than 15 years rather than on contingent forecasts of more short-range energy consumption.

1.2 Testing of Effects of Various Energy Strategies on Rest of Economy

These effects can be illustrated in a summary fashion by diagram 3. It is clear that the energy balance-sheet is not a tool that enables evaluation of the suitability of an energy policy with respect to these effects. For that purpose one would have to simulate the energy-economy interactions with a long-term macroeconomic model, sufficiently simplified to permit review of an adequate number of variations. This is the purpose of the Mini-DMS-long-term energy model, whose development, undertaken in June 1979 by the General

Planning Commission and the INSEE, arrived at an operational model in October 1982, just in time to be used by the long-term group on energy. The main conclusion of this work, taking into account the current state of the model and the variations that could be studied, is that no one of these strategies, which revealed contrasts emphasized by the legitimate concern of energy producers to increase their share of the market, presented from a strictly energy point of view any decisive advantage for the nation in comparison with others.

In combination with analysis of demand and examination of the various networks of energy supply, the implementation of this model led the group to propose the following breakdown of energy supply (table 1), the two economic scenarios indicated (A and C) being the two extremes from the point of view of economic growth rate.

The proposed general strategy breaks down into two successive stages:

--In the short timeframe, i.e. 1990, the prevailing problem is the potential overcapacity of energy sources of which supply is more rigid, either because of reasons of equipment construction time (nuclear electricity) or because of medium-term purchase contracts (natural gas). In this timeframe, the problem calls for priority in action to direct the demand in order to reduce these overcapacities in the best way for all concerned.

--In the longer timeframe (1995 and 2000), the supply is not predetermined, since it will result from energy investments made during the Ninth Plan and thereafter. In this case one can thus try to choose the development of the supply structure in relation to the needs of the economy and the society at that time, such as are indicated in long-term forecasts of demand.

2. Energy Policy in the Ninth Plan

The main objective is to achieve at least 50-percent self-sufficiency in our energy supply in 1990.

2.1. Priority to Effective Use of Energy

This priority is the goal of the priority implementation program No 5, which allocates to it more than 15 billion francs in budget financing over the 5 years of the plan (table 2). More than three-quarters of this package is directed to emphasizing and strengthening the efforts for rational use of energy in the production sector, housing and transport. A significant part of the program is also aimed at strengthening industrial policy and research and development on high-yield products and services for rational energy use in the various consumer areas, for this is a condition for the maintenance of this long-term policy.

The priority program is also based on a series of objectives and physical indicators, such as the following:

--Reduce unit consumption by the manufacturing industry by an average of 10 percent over the duration of the plan;

--Stress the penetration of electricity into industry, aiming at 5 billion kwh in new installations per year beginning in 1985;

--Renovate 700,000 public housing units during the Ninth Plan;

--Reduce average individual consumption of new French vehicles to less than 6 liters of fuel per 100 kilometers in 1988.

2.2. Priority to Nuclear Electricity in National Primary Energy Production

Between now and 1990, the increase in number of nuclear power stations should provide in 1990 nuclear power equivalent to 66 million tons of oil (compared to 23 in 1982), or two-thirds of our then total primary energy production.

In order to develop our electricity markets--today, electricity is 80-percent national energy while in 1990 it will account for 45 to 50 percent of our total energy supply (32 percent in 1982)--economically rational uses of electricity will be encouraged whenever they will enable an improvement in the balance of payments, and exportation will be promoted. Electricity in France will enjoy considerable management autonomy to conduct an active commercial and rate policy aimed at developing electricity consumption, particularly in the production sectors, in which it can contribute to strengthening the competitiveness of our enterprises, and it will participate in financing of some industrial investments.

In order to meet the needs of the post-1990 years, investment commitment decisions have been taken to be implemented as of the beginning of the Ninth Plan. The rate of commitment of nuclear installments is based on the following principles:

--To meet foreseeable needs for electricity under all hypothetical situations;

--To maintain the progress of the national nuclear industry;

--To avoid raising production costs by construction of equipment that will be underutilized to an excessive degree.

Hence with an average power base of 1,300 mw, two financing installments will be committed in 1984 and one in 1985 (two installments of 1,300 mw will have been committed in 1983 and one of 900 mw in 1982).

At the end of 1984, a study of the prospects for economic development and power consumption will be carried out in the context of the adjustable energy planning that was undertaken and clarified during the long-term work on energy carried out in preparation for the Ninth Plan. This study will ultimately enable increasing to two the number of nuclear installments committed in 1985 if the development of consumption trends justifies this.

2.3. Diversification by Resort to Fossil Energy Substitutable for Oil

In regard to coal, whose consumption forecasts in the 1990 timeframe should be considered in relation to a more moderate evolution in total energy consumption

than previously envisaged, the independence goal dictates the goal that national production should at least cover half of consumption within the guidelines of the decisions in 1981, that is, for development of exploitable reserves of which the excess financed by the state would not exceed 2.5 centimes (of 1981) per therm over the cost of imported coal.

At any rate, the total finances allocated and distributed by the nation for national production will be maintained. These sums will be allocated either for coal exploitation or other industries in order to maintain the overall activity of the regions concerned.

In regard to natural gas, its current supply forecasts indicate a consumption in 1990 of between 28 and 30 million tons oil equivalent (mtep), including development of uses of gas as raw material.

As for the portion provided by national production, which in 1982 represented not more than 26.5 percent of consumption and is planned to decrease further between now and 1990, the progressive exhaustion of the Lacq field implies active continuation of the program of deep prospecting in the national subsoil.

Finally, oil, whose share in our energy supply should considerably decrease but maintain a significant level at the end of the Ninth Plan, will be the target of a major effort to adapt the refining industry in both structure and capacity. As for the French operators, in the parapetroleum products sector in particular, the objective is for them to retain their favorable positions in the international market, especially on the technical level.

2.4. Balance-Sheet of Energy Supply in 1990

Based on electricity export of 23 billion kWh, or about 5 mtep, one can envision two hypotheses for apportionment of supply for 1990, corresponding to the range of 180-200 mtep of domestic consumption of primary energy:

Primary energy consumption	180 - 200 (mtep)
Electricity export	5 - 5
Total supply	185 - 205
including:	
Nuclear	63 - 66
Gas	28 - 30
Water	15 - 15
New energy sources	6 - 9
Coal and oil	73 - 85

In regard to the coal/oil contribution, this depends on the evolution of coal consumption and its greater or lesser ability to replace oil consumption. This will become clear as time progresses.

In conclusion, it can be noted that in certain areas (commitments for electronuclear or gas contracts policy), decisions will be made as the Ninth

Table 1
PROPOSALS OF THE LONG-TERM ENERGY GROUP

	1982	%	1990 (1)		%	2000 (1)	%
			Scénario A	Scénario C		Scénario C	
In MTEP*							
Coal (4) incl. nat'l prod.	32,5 (12,0)	17,7	18-20 (10,0-12,0)	20-23 (10,0-12,0)	11,0	25-35 (8,0-12,0)	13,4
Oil (2) incl. nat'l prod.	85,3 (2,5) (3)	46,5	60-65	60-70 (2,5)	33,1	55-65 (2,5)	26,9
Natural gas incl. nat'l prod.	23,4 (6,2)	12,7	28-30 (5)	28-30 (5) (3,0)	13,0	20 ou 30 (1,5)	
Nuclear (4)	22,9	12,5	54-62	57-65	31,0	70-85	36,0
Water	15,8	8,6	15	15	7,6	16	6,7
In N ^{elle} and R [expansion unkn.]	<u>3,6</u>	2,0	<u>6-8</u>	<u>8-9</u>	4,3	<u>10-16</u>	5,8
TOTAL Primary energy	182,7		178-187	190-200		220-235	
National production vs Consumption	34 %			51 %		54 %	

1. See scenarios A and C for economic growth presented in chapter 1. For 2000 only the hypothesis of strongest growth is considered here.
 2. Not including nonenergy oil.
 3. Including 0.8 liquid hydrocarbon extract from natural gas.
 4. Not including possible export of electricity.
 5. Including raw material gas.
- * Mtep: millions of tons oil equivalent.

than previously envisaged, the independence goal dictates the goal that national production should at least cover half of consumption within the guidelines of the decisions in 1981, that is, for development of exploitable reserves of which the excess financed by the state would not exceed 2.5 centimes (of 1981) per therm over the cost of imported coal.

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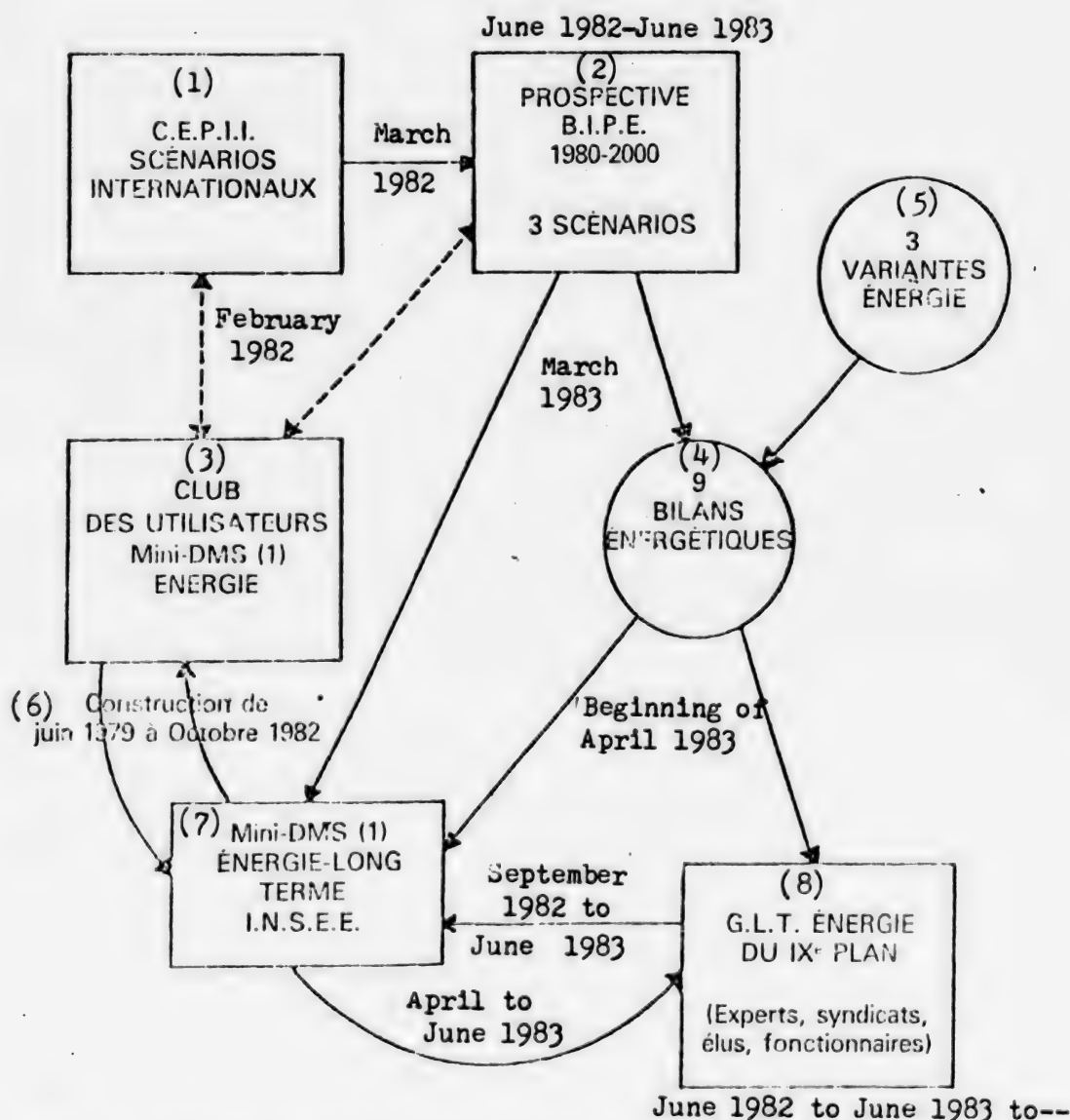
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including:	
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Water	15 - 15
New energy sources	6 - 9
Coal and oil	73 - 85

In regard to the coal/oil contribution, this depends on the evolution of coal consumption and its greater or lesser ability to replace oil consumption. This will become clear as time progresses.

Diagram 1
Energy Planning for the Ninth Plan



Source: General Planning Commission

- | | |
|------------------------------------|------------------------------------|
| 1. CEP II international scenarios. | 5. Energy alternatives. |
| 2. BIPE forecasting 1980-2000. | 6. Constructed figure for |
| 3. Club of users. Mini-DMS (1) | June 1979 to October 1982. |
| Energy. | 7. Mini-DMS (1). Long-term energy. |
| 4. Energy balances. | INSLE. |
| | 8. GLT energy of Ninth Plan |
| | (experts, unions, elected |
| | representatives, officials). |

Diagram 2

Energy and Electricity Demand Forecasts
for the Timeframes 1990 and 2000

Total domestic consumption (mtep)

1990					
	1	2	3	1 ★	2 ★
A	186,5	186,4	177,5	178,5	178,0
B	198,6	197,3	188,5	190,7	189,7
C	200,5	199,5	190,1	191,5	190,5

2000					
	1	2	3	1 ★	2 ★
A	195,6	194,0	180,9	181,8	180,6
B	227,1	225,0	210,7	211,6	209,8
C	233,8	232,2	218,1	218,7	217,2

Electricity Consumption
(TWh)
(excluding exports)
1990

	1	2	3	1 ★	2 ★
A	352	314	325	347	309
B	376	327	343	370	323
C	385	330	349	379	325

2000					
	1	2	3	1 ★	2 ★
A	434	370	382	423	360
B	499	431	446	488	424
C	524	447	470	510	440

Range 360-524 Median 440

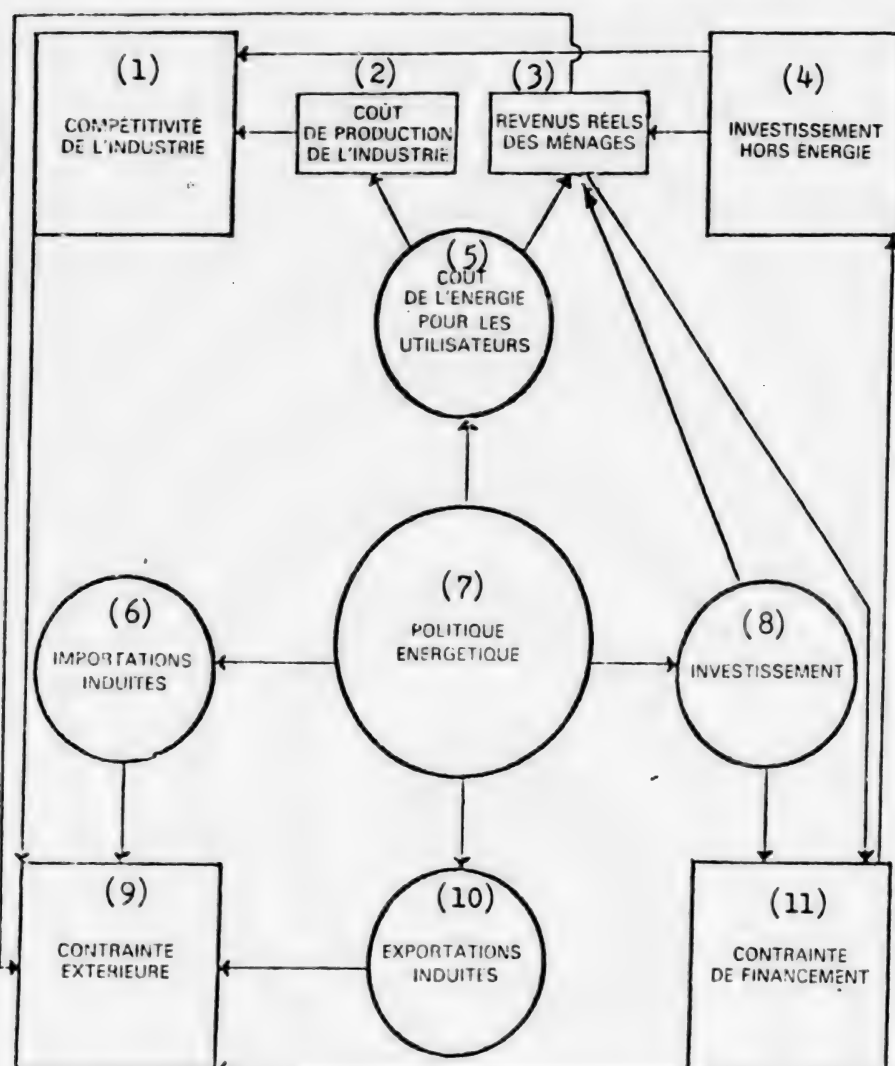
Range 309-385 ; Median 343

BIP Economic Scenarios
Expressed in annual rate of increase in GDP

	1984 - 1990	1981 - 1990	1991 - 2000
A	1,4 %	1,2 %	1,8 %
B	2,5 %	2,0 %	4,1 %
C	2,8 %	2,2 %	4,6 %

Diagram 3

Effects of Energy Policy on Rest of the Economy



Source: Report of the Long-term Energy Group, July 1983.

- | | |
|----------------------------------|---------------------------|
| 1. Competitiveness of industry. | 7. Energy policy. |
| 2. Production cost of industry. | 8. Investment. |
| 3. Real income of households. | 9. External restraints. |
| 4. Investment other than energy. | 10. Induced exports. |
| 5. Cost of energy for users. | 11. Financing restraints. |
| 6. Induced imports. | |

Table 2

PPE No 5: Reduction of Energy Dependence
Budget Financing (millions of 1984 francs)

SUBPROGRAMS	Base 1984 (Finance Bill)		Envelope 1984-1988	
	Ordinary Expenses	Program Authorizations	Ordinary Expenses	Program Auth.
1. Industry and food-processing	400	335.50	2,000	2,238.50
2. Housing and tertiary sector	150	1,195.50	750	6,527.50
3. Transport	-	129.10	-	694.90
4. Industrial and research & development policy	30.2	401.74	166.90	2,530.64
5. Financing of departments	92.14	3.56	486.24	38.56
Total	672.34	2,065.40	3,403.14	12,030.10

PPE: Priority Implementation Program

In conclusion, it can be noted that in certain areas (commitments for electronuclear or gas contracts policy), decisions will be made as the Ninth Plan progresses to meet the energy demands for the years 1990 to 1995. For these decisions, the adjustable planning that the long-term energy group has established, based on forecasting of the 2000 timeframe, will make it possible to provide at the appropriate time further observations and proposals. Also, publication of available information on development of demand or energy supply capabilities will make it possible to regularly revise, as occasion demands, the already established forecasts. The approach and the economic forecasting tools used in preparation of the Ninth Plan are thus inaugurating the new methods that energy planning will need in the future.

Pierre Amouyel
Chief Engineer of Mines
Department Chief, General Planning Commission

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CSO: 3519/314

FIGURES FOR 1983 REVEAL INCREASE IN ENERGY CONSUMPTION

Paris LE QUOTIDIEN DE PARIS in French No 1368, 17 Apr 84 [no page No given]

[Article by Valerie LeBoucq: "Energy: French Consume Too Much"]

[Text] Michel Rolant, the boss of the French Agency for Energy Control [AFME], is concerned: France, which for 10 years had done a great deal in thermal conservation, is now perhaps resting on its laurels. At any rate, the figures for 1983 give the appearance of an "upward slide" in consumption of fuels and home electricity.

Contrary to what was long believed by the experts who talked about a "psychological threshold," the rise to 5 francs for a liter of high-test gasoline has had no discouraging effect on French consumption. The French are increasing their travel and, instead of resorting to public transport, still prefer their car. The result: gasoline consumption rose by between 4 and 5 percent in the last year. This trend has continued in the first quarter of 1984 with a 3.6 percent increase for gasoline and 5.6 percent for gas-oil. The price effect is thus not operating, and this is too bad because this upward slide has completely negated the economies achieved in other ways by the auto manufacturers in bringing out lower consumption models. To reverse this trend, the AFME is going to conduct a public opinion campaign to encourage more moderation.

Another cause for concern for the agency: the spectacular increase in electricity use for domestic heating. The French Electric Company's publicity campaign, strongly opposed by consumer associations, is bearing fruit. Sixty percent, even 80 percent in some areas, of housing being constructed in France today is equipped with electric heat. However, at least there are very strict insulation regulations for new houses. The danger comes from increasing penetration of electricity into old houses. In the absence of restricting legislation, a number of less scrupulous owners and housing promoters are putting electric heat into renovated units, while failing to carry out the necessary insulation work. The AFME experts are thus talking about "primitive electric heat," including the proliferation of extra heaters, which are veritable heat guzzlers in old buildings.

Michel Rolant, who is in favor of true prices for energy, has reaffirmed that he would like to see restoration of a surcharge of 2 to 3 percent on imported energy sources (gasoline, gas, and coal). This would be a way to increase the income of AFME, which was cut again this year by the budget "regulation."

Compared to 2.4 billion last year, the agency's operating funds will only reach 1.95 billion in 1984.

Michel Roland believes that such a surcharge would have only a "modest" effect on the price index. It remains to be seen what Rue de Rivoli will think about such a proposal, particularly in view of Francois Mitterrand's objective to reduce the total of compulsory levies beginning in 1985.

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CSO: 3519/314

MINISTERIAL ORDER TO REGULATE ELECTRIC COMPANY FINANCING

Madrid ABC in Spanish 29 Apr 84 p 51

/Article by Rosa Ovejero/

/Text/ Madrid--As a result of the recent rate increase, the earnings of electric companies, put at 2.8 percent of their receipts, will form a state-controlled fund for the financing of the companies themselves. An order to the Ministry of Industry and Energy published yesterday in BOE establishes the system and the requirements for applying the fund.

Investment, debt and the distribution of dividends are the principal factors in which ministerial control establishes more rigid measures for the enterprises that may wish to participate in the special plan for financial recovery drawn up by the government and negotiated with the sector.

Despite the fact that the resolutions establishing the concrete form for carrying out the plan have not been published, the existing order sets the general pattern for applying the plan and the requirements for taking part in it. Essentially, the enterprises that have decided to participate will apply the mentioned 2.8 percent of receipts to their financial program, which at all times will be supervised by the General Directorate of Energy under the condition that they conform to the established requirements.

It should be pointed out that among these requirements are the elaboration and presentation of a specific accountable information system, a program that contemplates investments through 1988, the presentation of individual and consolidated financial reports and statements on prospective and actual gains and losses. In addition, to participate in the plan, it will be necessary for the enterprise to meet certain requirements. In regard to investment, it must be equal to or greater than the net debt for the fiscal year, which is nothing other than the net gain in resources through capital expansion. Likewise, the net funds obtained through capital expansion--about 50 percent of the expansions in this sector are issued unencumbered--are to be at least as large as the sums distributed through dividends. Otherwise, the net dividend to be distributed would be limited to 8 percent of social capital (9.76 percent gross).

Therefore, the decrease in the dividend of the electric companies to eight percent will not become a reality if the enterprises do not pay a dividend exceeding the capital obtained through expansion or if there is no increase in net debt.

On the other hand, the electric companies that do not wish to participate in the system to apply the rate increase to the planned financial program or that do not comply with the necessary requirements that may be applied to carry it out should put the mentioned increases in receipts as they occur into a fund representing a special UNESA (sector employers' association) account. Nevertheless, sector sources say that all enterprises will accede to the conditions of the industry so that this fund can restore their financial structures.

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CSO: 3548/247

GAS CONTRACT DISPUTE WITH ALGERIA THREATENS TRADE WAR

Madrid ABC in Spanish 17 Apr 84 p 57

[Text] The Spanish Government is waiting for a reply from the Algerian Government to the most recent Spanish proposal concerning the natural gas contract dispute between Enagas and Sonatrach. This proposal would establish an increase of between 25 and 30 percent in the price of gas and offer the possibility of reaching an overall agreement. Meanwhile, Spanish exports and contracts continue to suffer drastic reprisals.

The Spanish proposal, which was delivered to the Algerian Ministry of Foreign Affairs on 3 April, deals with trade relations between the two countries across the board. That is to say, it is not limited to the energy contract which, not having been renounced by either party, continues in force.

Spain accepts the idea of compensation for underutilization of the Skira liquefaction plant. This plant was built by a U.S. company, which subsequently broke its contract with the Algerian authorities. Moreover, underutilization results from the difference between the 4.5 billion cubic meters specified in the contract with Spain under the "take or pay" formula and the 1.5 billion that Enagas actually takes annually from the Algerian liquefaction plant.

On the other hand, Spain commits itself to accept an increase in the price of natural gas of between 20 and 30 percent, until it is equal to the prices in other contracts signed by Algeria, France and Belgium. With this provision, the comparative advantage provided by the Spanish contract would be abolished.

In these circumstances, the Algerian press points to the possibility of a total break in trade with Spain if the contracts with Sonatrach are not fulfilled. Nevertheless, the newspapers closest to the government make no mention of the most recent proposal of the Spanish Government, which is wasting with understandable interest for a rapid reply from the Algerian government.

In any case, a trade "war" seems to have been unleashed already as a result not only of the cancellation of contracts with Spanish construction companies for the Mexanna dam--with a 12 billion peseta budget--and supplies for Algiers

and other cities with a total value of 100 billion, but also of the obstacles and paralyzation of imports of Spanish products affecting various sectors. For example, the Bilbao Chamber of Commerce has pointed out that various companies in the Bay of Biscay area have lost or are about to lose export contracts with an approximate value of 5 billion pesetas.

Yesterday, the representatives of more than 20 Basque companies were received by the government delegate to the Basque Country, Ramon Jagregui, who heard from them of the serious economic repercussions resulting from the situation created by the natural gas contract dispute. The exporters of cement and other construction materials and equipment needed for the work that the Spanish companies were going to begin are in a similar predicament. Exporters of farm products such as eggs, which constitute one of the principal elements in the bilateral trade, likewise remain completely inactive.

This Algerian attitude, however, is nothing new. Spanish exports in 1983 have already registered a slow decline and now amount to \$652.6 million, as compared with \$684 million in 1982. Meanwhile imports of Algerian products, chiefly oil and natural gas, went from a total value of \$669.3 million in 1982 to \$916.7 million in 1983. That is to say, Spanish exports declined by \$15 million, while imports increased by \$264 million.

Spanish-Algerian Trade		
	Imports	Exports
Millions of dollars		
1983	916	652
1982	669	684
Billions of pesetas		
1983	129.4	94.1
1982	73.9	72.3

12336

CSO: 3548/244

BRIEFS

RECORD OIL CONSUMPTION DROP--Sweden saved the most oil of all the Nordic countries during 1983. Swedish oil consumption declined by 12 percent, Danish by 6, Finnish by 9 and Norwegian by 3 percent, according to statistics from the Swedish Petroleum Institute. Swedish gasoline consumption continued to grow during 1983, and increased by 2.6 percent. Diesel consumption declined by 4.2 percent, heating oil by 12.8 percent and consumption of other fuel oils declined by 24.7 percent. [Text] [Stockholm DAGENS NYHETER in Swedish 3 May 84 p 8] 9287

CSO: 3650/195

OFFICIALS GAIN GREATER AUTHORITY TO CONTROL CHEMICALS

Stockholm DAGENS NYHETER in Swedish 4 May 84 p 6

[Article by Ake Ekdahl: "Environmental Authorities Get Increased Power"]

[Text] Control of poisons by manufacturers and importers is being increased. The national Commission on Chemicals will recommend this fall that environmental authorities be ordered to verify that firms thoroughly determine the health and environmental risks of their own products, and that information about the risks reaches the consumers and the public.

"Those who use a chemical product will be notified through the product register about what health risks and environmentally dangerous substances exist in the product," said the chief secretary of the commission, Sven Ove Hansson.

Information about such substances will be found directly on the package in the form of better labeling. This was recommended by the commission in its report.

According to the report all new substances will be inspected in advance by the authorities before they can be used. If a firm wants to introduce a new substance it must deliver a documentation to the authorities so that the risks can be determined.

The commission will expand the product register, partly so that each product will be registered with reference to dangerous substances, partly so that manufacturers and importers will report all other substances which are contained in their products. For harmless products, no information will be required on what substances they contain.

"With such a register we can keep track of all the chemical substances in our society. If it turns out that a substance creates heretofore unknown risks we can immediately track it down," said Hansson.

"Another aim is that we would know which substances exist in Sweden so that we can put controls into effect for new substances in advance. That is a new feature of the register that the commission wants to see instituted next year," he added.

Strong criticism is being aimed at parts of the commission's recommendation, partly because it is suspected that increased secrecy will protect the firms and make it difficult for the ombudsman and the public to know about dangerous substances. Partly it is feared that the new declaration will weaken product control.

The commission talks about strong secrecy and limited freedom of information in order to increase the confidence of firms in the register.

Sven Ove Hansson said, "Here we have two opposing interests, the environmental interest and the interest of the firms to protect their manufacturing secrets. The increased secrecy is marginal from an environmental viewpoint and involves only harmless substances. There could be reasons to permit the firms to protect their manufacturing secrets. If a conflict arises, the environmental interests must always dominate.

In case of a substance with health and environmental risk, the secrecy is lifted. According to the commission the authorities will have access to complete information. If the environmentalists and the manufacturer do not agree, the authorities decide whether the substances are kept secret.

"Therefore there will not be much information kept secret," said Hansson.

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